NOVEMBER 1992 $4.75

CURRENT HISTORY

A WORLD AFFAIRS JOURNAL

HISTORY IN THE MAKING

EUROPE

11
0 74470 75307 0

CURRENT HISTORY

FOUNDED IN 1914

NOVEMBER 1992 VOL. 91, NO. 568

EDITOR'S NOTE:

"You are not going to agree on anything, and if you do agree on anything it will never happen and if it does happen it will be a disaster." This caricature of British cynicism about the talks that eventually led to the Treaty of Rome and the formation of the European Economic Community has more than a passing resemblance to the reaction many felt after the Maastricht treaty—the agreement for monetary and political union that is the centerpiece of Europe '92—stumbled this year as first the Danes rejected it, the French narrowly approved it, and the exchange rate mechanism that is the core of the European monetary system imploded.

These events confirmed that this was the "Year of Europe," but not the Europe envisioned by Maastricht. It was, instead, one that saw the bloody disintegration of Yugoslavia, the impending division of Czechoslovakia, despair over the course of reform throughout eastern Europe, and an inability on the part of the continent's powers—and the United States—to offer little more than rhetoric in dealing with the troubles afflicting it.

This issue offers a detailed look at these topics and includes a special focus on the changes taking place in eastern Europe. Czechoslovakia, Hungary, Poland, and Yugoslavia represent the most important models for change in the region; they also represent the disunity, disaffection, and disillusionment that seem to have gripped all of Europe.

Current History (ISSN-0011-3530) is published monthly (except June, July, and August) by Current History, Inc., 4225 Main Street, Philadelphia, PA 19127. Copyright © 1992 by Current History, Inc. Second-class postage paid at Phila., PA, and additional mailing offices. Postmaster: Send address changes to Current History, 4225 Main Street, Philadelphia, PA 19127. Annual subscription rate: $31.00. Foreign $37.25; Canada $38.25 (GST included). Canadian GST #R132446592. Indexed in *The Reader's Guide to Periodical Literature, The Abridged Reader's Guide, Book Review Index (BRI), ABC POL SCI, PAIS, SSCI, Current Contents, Historical Abstracts, Academic Index, Magazine Index, Magazine Article Summaries,* and *America: History and Life.* Indexed on-line by DIALOG, BRS, and Information Access Magazine Index. Microfilm: University Microfilms, Ann Arbor, MI. For permission to reproduce articles from Current History for academic course packets, please contact the Copyright Clearance Center's Academic Permissions Service, 27 Salem Street, Salem MA 01970. Phone: 508-744-3350. Fax: 508-741-2318. All other requests to photocopy should be sent directly to Current History. No responsibility is assumed for the return of unsolicited manuscripts.

CURRENT HISTORY

NOVEMBER 1992 Vol. 91, No. 568

The new year will see the unitary market in place, but the further economic and political integration of western Europe has run up against widespread resentment, while links with the east are even more fraught with controversy. The idea of a Europe whole and undivided, which once seemed within reach, may disintegrate in the aftershocks of the cold war's end.

The Year of European (Dis)Unification

BY GREGORY F. TREVERTON

The European Community treaty signed last December in Maastricht, the Netherlands, capped Europe's progress toward a single market, due to begin officially on January 1, 1993. And in laying out a plan for further economic and eventual political integration, the pact marked the EC's most far-reaching step since the Treaty of Rome 35 years before—its aims all the more striking in light of the "Europessimism" of the mid-1980s.

Yet during 1992 Europe came down from its Maastricht high. In June, Denmark narrowly voted down the new treaty in a referendum—a sign of the resentment throughout Europe at the idea of ceding national sovereignty to faceless Eurocrats in Brussels. In September a French referendum on the treaty, originally expected to be no contest, produced a bare "*oui*"—the same week as chaos on currency markets all but exploded the EC's exchange rate cooperation. At the same time, the continuing tragedy of Yugoslavia made all too plain that the Community's reach eastward would be limited by its western European preoccupations.

By the same token, no one on either side of the Atlantic knows how to reshape the American connection to Europe after the vanishing of the Soviet threat—or even whether a reshaping is necessary. Americans cling to NATO as the only serious security game in town, and as the most explicit American engagement in Europe. But NATO is mismatched to the future possible security problems of Europe: other Yugoslavias rather than a Soviet invasion across the North German Plain.

THE SINS OF THE SINGLE MARKET

The French and Danish votes betokened what the president of the Community's executive and administrative commission (and thus the paramount Eurocrat), Jacques Delors, calls a "democratic deficit." In principle, the single market program and Maastricht are separate, the latter being the next step forward in integration. In practice, though, the backlash against Maastricht is also a broader backlash against "Brussels"—the centralizing of standards and regulations in the EC—which seems to threaten national symbols near and dear to the hearts of Europeans, from British sausage to German beer and Spanish tildes.

The single market began in 1985, when the Community had stagnated in tiresome arguments about Britain's share of the joint budget. With the Single European Act of 1986, EC leaders adopted an ambitious program for the free movement of goods, services, people, and capital within the Community. The scheme came to comprise some 300 regulations drawn up by the European Commission, negotiated with member states, and eventually adopted into national legislation; by this coming January 1, almost 90 percent of those regulations will have been enacted by all 12 EC members.

Before this year's backlash, the main concern about the single market was with its "sins of omission," or what had been left out. One exclusion was the EC's common agricultural policy (CAP), which gobbles up two-thirds of the Community's budget, raises consumer prices, and produces surpluses that make for continuous wrangling with other agricultural exporters, especially the United States.

GREGORY F. TREVERTON *is senior fellow for Europe at the Council on Foreign Relations, where he also directs the Europe-America Project. His latest book is* America, Germany and the Future of Europe, *published this year by the Council and Princeton University Press.*

That wrangling broke up the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations in December 1990. That year the EC offered to cut overall farm supports 30 percent from 1986 levels by 1996, with no assurances on lowering export subsidies or providing other nations access to its markets. The United States and other exporters of agricultural products sought 75 percent cuts over 10 years in the supports, with 90 percent cuts in export subsidies for farmers.

American objections to CAP were hardly new, but in the past the United States had yielded, receiving in return European backing on other trade issues. This time, absent the security imperative of the cold war, both sides could afford to let the issue remain open. Many Americans—not least those in the Bush administration—felt Germany owed the United States one on agriculture because of the American role in German unification. Germany, however, was self-absorbed, unlikely to take on either its own farmers or France. The United States and the EC sought to repair the damage but could not reach an agreement in a year of off-again, on-again discussions.

A second broad area of exclusion from the single market was defense procurement. In other areas individual nations were allowed to opt out of particular regulations, at least for a limited time. The single market is, for instance, supposed to lead to an end to border controls throughout the Community (though by 1995, not 1993). But Britain argued that it could not risk admitting potential terrorists, and EC members are still far from dismantling all their border controls.

Now, however, "sins of commission"—or perhaps Commission, as in the European Commission—have come to the fore. The principle behind the single market was reciprocity: if a bank was chartered in Britain or a health standard acceptable in Germany, the bank could operate in or the German product could be exported to all the other member countries. In some areas—telecommunications, for example—common EC standards were imperative, and these had the effect of handicapping the member states whose standards were not adopted.

More to the point, though, reciprocity and its twin principle—infelicitously dubbed "subsidiarity" in Eurospeak—have their limits. The idea of both is to let the level of government closest to the people decide as much as possible. In practice, though, when does Germany's law on beer purity become a nontariff barrier on imports from its European partners or, more pointedly, when do less strict safety regulations in Spain constitute a competitive advantage for it? The drive to set more and more standards in Brussels is almost irresistible, and the reaction against that standardization almost inevitable.

DIVIDED BY A SINGLE MARKET

Maastricht's centerpiece was economic and monetary union (EMU). The treaty's political component, European political union, was modest. It gave somewhat less scope to national vetoes in the Council of Ministers, which serves as the Community's board of directors, and a little more of a role to the European Parliament, now mostly a talk shop. Maastricht called boldly for a common foreign and defense policy but left the task of cooperation to member governments, not to the supranational Brussels machinery. And the straits the EC found itself in dealing with the civil war in Yugoslavia—in particular the open water between Germany and France on the issue—demonstrated just how far Europe is from a common foreign policy.

Economic and monetary union, in contrast, offered the concrete prospect, by 1999 at the latest, of a common European currency and central bank. Yet even before the September crisis there were signs that EC members were cooling on the idea—including Germany, Europe's core economy. Why, Germans ask, should they give up their cherished deutsche mark, the symbol of their postwar success, for a European currency, mere "Esperanto money"? And though the unification of Germany will be a resounding success in the long run, the question on the minds of Germans is, how long a run?

The process has been more expensive than western Germans hoped and slower than eastern Germans craved. The wreckage of the old East German economy was appalling, and according to recent official statistics, more than a fifth of the work force in the east is unemployed or on forced short time. The unified country remains divided in ways that run deeper than economic circumstances: eastern Germans feel colonized by their western brethren.

Yet the economic bottom in the east probably has been reached and passed. Privatization staggers in eastern Europe but not in eastern Germany. The German Trusteeship Agency, or Treuhand, started haltingly but has worked up a head of steam; it has now privatized about half the 10,000 major enterprises under its control. Eastern Germany has everything eastern Europe lacks: stable government, hard currency, and predictable rules for the economic game. While parity with western Germany in employment—not to mention income or living standards—is years off, growth in the east this year may approach 10 percent, driven by construction and services. And in the end Germany will be Europe's resident expert in reconstructing the centrally planned economies of former Communist countries.

As far as the further economic integration of Europe is concerned, the single market program and not much more would suit Germany just fine. The more limited program gives the country a larger market and brings a freer flow of goods and services. Because EC states are

linked in a European monetary system around the deutsche mark, their currencies tied to the German currency, the Bundesbank in effect sets interest rates now for all EC members without having to share with them any real power over decisions. Thus several times last year and this year Germany's central bank drove up interest rates for the purely German purpose of keeping the lid on inflation in the country despite the huge fiscal transfers needed to jump-start eastern Germany. The action put upward pressure on interest rates in Germany's European partners, whose problem, alas, was not inflation but recession; and so Germany's solution became their problem.

This exchange rate mechanism, or ERM, was shaken in September when, under pressure, Germany finally agreed to reduce interest rates but produced only a sliver of cuts. Speculation against the weaker EC currencies, the British pound and the Italian lira in particular, forced their governments to devalue against the mark, and Britain dropped out of the ERM.

Even before September, economic and monetary union seemed far from assured. For Germany, moving to such a union, along with a European central bank (or EuroFed), would mean sharing decision making with less inflation-phobic partners, such as Italy, and so Germany had insisted that the EuroFed be just as anti-inflation as the Bundesbank. Maastricht set strict criteria for "convergence" among member countries toward small budget deficits and low rates of inflation; indeed, the criteria are so strict that Germany itself does not now qualify to participate in the new system.

Logically, one response to the September crisis would be to move immediately to a common currency; speculators would then have no weak currencies to target. But a common currency requires roughly common economic policies. And the EC nations are hardly in step economically—a fact obscured by British Prime Minister Maragaret Thatcher's railing against EMU as an unacceptable transfer of sovereignty.

Maastricht went further than the political traffic in Europe would bear. So, while Europe will one day have a common currency, if for no other reason then the private sector concerns that drove the single market—multiple currencies, like multiple markets, are a nuisance—but that day will not come soon.

CHALLENGES EAST AND WEST

To the west, the Community faces an imminent widening to take in the seven countries of the European Free Trade Association—a move currently waiting in the queue behind Maastricht.* Last October the two blocs agreed to form a European Economic Area, which will constitute a market of 380 million people accounting for 40 percent of world trade. This step will be more takeover than merger, for the new entity will adhere to existing EC rules governing matters from antitrust to the environment.

It is one of the fine ironies of Europe's dramatic years that Delors, no slouch as a political tactician, launched negotiations on an enlarged European market in January 1989 as a way to fend off pressure from EFTA countries to allow them to join the EC as full members. What was meant as a barrier turned out, predictably, to be an enticement. The EC's offer was "taxation without representation," and pushed the EFTA countries to the realization that there was no alternative to full membership in the Community.

Not surprisingly, the proposed economic area has also seemed to the EFTA nations as taxation without representation, and thus Austria, Sweden, Finland, and Switzerland have already applied for full EC membership and Norway will not be far behind. These rich countries easily qualify for full membership on economic grounds. Yet all save NATO member Norway were neutrals when there was something to be neutral about. Adding their traditions and practices to the Community will complicate the already difficult task of constructing common foreign and security policies.

To the east of the Community are countries that will not soon be ready for full EC membership but that hanker for tighter political association with anything "European"—the Council of Europe, NATO, the Western European Union (WEU), but above all the Community. French President François Mitterrand floated the idea of a confederated Europe around the EC, but no one has picked this suggestion up. What eastern Europe needs is access to the Community market; what it hopes for is full membership in the club in the long run, and not too long at that. For their part, EC nations understand their choice is between accepting eastern Europe's goods now or its people in the form of immigrants not much later. But accepting imports from the east is still perplexing, for they will fall in sectors that already cause contention in the Community: textiles, coal, steel, and agriculture.

Perhaps half a million people sought asylum or refuge in western Europe last year, and there is no end in sight, as can be seen by the refugees generated by the Yugoslav crisis. The specter of new immigrants has turned the spotlight on foreigners already in the west, especially second-generation Muslims. If older French people are still preoccupied with Germany, it is North Africa that dominates the minds of their children; a recent poll found that more than two-fifths of people in France hold unfavorable views of North Africans. The same survey showed Germans felt the same about Poles. Moreover, in every eastern European country respondents viewed the principal minority group equally negatively. And as these groups rediscover their heritage, their different customs make them more

*The seven EFTA countries are Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland.

visible, giving pause to the western European majority puzzling over the hard-to-digest knots in their midst.

In France, Jean-Marie Le Pen's National Front was the party of choice of nearly a fifth of those polled, and its anti-immigration stand is supported by one-third of the populace. There and elsewhere, mainstream politicians have moved right on immigration for fear of losing out to the fringe. Jacques Chirac, a conservative former prime minister, said he understood why French workers were tired of the "smell and noise" of immigrants, and former president Valéry Giscard d'Estaing warned of an immigration "invasion."

In March and September 1991, chaos in Albania led to floods of refugees crossing the Adriatic to the Italian port of Bari. Italy, like its EC partners, has liberal laws on the granting of political asylum but no provision for economic migrants. Faced with large numbers of refugees, the Italian government felt it had no option but to refuse asylum, offer no assistance to the new arrivals, and then deport them en masse. The decision was criticized by Catholic and human rights groups but was probably accepted as necessary by most Italians.

In the long run, most of western Europe faces labor shortages and will need immigrants to sustain its living standards; the official French statistical agency reckons France's shortfall at 150,000 workers per year by the second decade of the next century. Yet economic need will not settle conflict over which immigrants should be preferred or how Europe's reluctant societies will adjust to the prospect of cultural diversity. While some in the EC (Britain in particular) are reluctant to relinquish sovereignty over immigration—after all, what is more fundamental to nationhood than the question of who "we" are?—they see that the problem cannot be addressed at the national level. An end to border controls would imply that immigration policy would effectively be set by the Community nation that had the most porous borders—more reason not to open borders in the short run and to push the issue to the Community level in the long.

For Community nations, the alternative to "keeping them out" is keeping them at home. Spurred by the attempted coup in Moscow in August 1991, the EC proposed last December to phase out over six years tariffs on products from Hungary, Czechoslovakia, and Poland, thereby creating a free trade zone, and to begin negotiations on a similar arrangement with Romania and Bulgaria. The proposal was modest, for special restrictions still applied to the four sensitive sectors, but the Community granted "asymmetry," saying it would begin its tariff cuts before the eastern Europeans had to start theirs.

Nevertheless, France held up the agreement over Polish exports of processed beef, a tiny sliver of exports. France lifted its veto only when the Community agreed to subsidize Polish meat exports to the Soviet Union—another irony, one neither lost on nor appreciated by Poland, which sought to break its economic ties to the east, not reinforce them. Compounding the irony, Poland had no beef for export last year anyway. "How far east will central Europe extend?" eastern Europe wanted to know. The episode provided an acid answer: as far as German taxpayers want. And that is not very far, at least for now.

GERMANY IN THE MIDDLE

Widening the Community, like so many of the questions Europe confronts, awkwardly exposes Germany's pivotal role. Germany and Britain have been the chief advocates of enlarging eastward, but for different reasons. Britain sees widening as diluting and so as insurance against the supranational Community it opposes; curiously for American ears (and German ones too), Britain's code word for what it opposes is "federal," and Britain insisted before and at Maastricht that federal arrangements could not be the EC's political goal.

Germany is a federal state, not a unitary one like Britain, and so a supranational Europe looks comfortable to it—an enlarged Federal Republic. For Germany the argument for broadening eastward is more *Zwang nach Osten* than *Drang nach Osten,* that is, more the pull of perceived obligation than the push of imagined destiny. When Americans look at eastern Europe, they see brave peoples struggling for freedom. When Germans look eastward, what they see is more akin to the American view of Latin America—turbulent, faintly inferior lands that can cause trouble, not least by sending out streams of migrants.[1]

Eastern Europe will feel it has little alternative to seeking trade and aid from Germany. It seems destined to return to its prewar pattern, its countries' economies organized around Germany's. Germany before World War II had at least a quarter of eastern Europe's trade, and with the collapse of the Soviet Union, Germany has again become the largest trading partner for Hungary, Poland, and Czechoslovakia. The questions are how much of that German role will be within an EC framework, and how much it will matter politically if the answer is "not much."

Germany's presence will be strongest in those areas where history gives it a basis: for instance, Czechoslovakia, whose Bohemia and Moravia have long-standing, if not always happy, ties to Germany, and Croatia, Slovenia, and the Baltic states. Territories adjacent to Germany, especially those that had a substantial German population, will wind up bearing the same relation to Germany as northern Mexico does to the United States—independent in name and theory, but in practice, of a piece with the German economy.

---

[1]Walter Russell Mead, "Coming to Terms with the New Germany," *World Policy Journal,* (Fall 1990), p. 601.

In 1990 nearly 200,000 foreigners arrived in Germany seeking political asylum (there is no provision for economic migration), three times the number going to any other European country, and the 1991 figure was 25 percent higher. Reform of the asylum law—perhaps by setting quotas in recognition of Germany's limits and the increasing economic migration—cuts against the image of a country open to the oppressed and so divides both Chancellor Kohl's governing coalition and the opposition.

The two tried but evidently failed to keep the matter between themselves. In September 1991 elections in the western city-state of Bremen, a longtime Social Democratic stronghold, the right-wing German People's party gained representation in parliament for the first time. Indeed, while eastern German skinheads with fascist insignia have captured more headlines, more beatings of foreigners have taken place in western Germany than eastern.

The Implications of Yugoslavia's Agony

Open warfare and allegations of systematic torture in what was Yugoslavia are vivid testimony to the dashing of pan-European dreams and the strain on Europe's center. A year ago there were hopes that the pan-European Conference on Security and Cooperation in Europe (CSCE) might form the nucleus of a new security order for the continent. Yet whatever the long-term possibilities for the CSCE, it never got into the game in Yugoslavia. Its limits were all too apparent: with a membership of 38 nations, it was too inclusive, and the ills of inclusiveness were compounded by the conference's operating principle of unanimity.

With Yugoslavia blocking a CSCE role in the conflict—and the Soviet Union reticent, its eyes fixed on its own disintegration—the most the CSCE could do in this case was pass a vague mandate to the EC. But once the Community became involved in the Yugoslav question, the schisms within it became evident, especially the one between France and Germany. Germany was tempted to support sovereignty for Slovenia and Croatia, with which it had economic and historical ties, and to brand Serbia as the villain and impose economic sanctions. By contrast, France, with its own traditional connections to Serbia, held to the importance of sustaining some sort of Yugoslav federation.

But the EC's recognition of Slovenia and Croatia this January was at best an indirect way to punish Serbia, and it was a certain recipe for a bloodbath in Bosnia and Herzegovina, which was more evenly balanced ethnically than the other two. Thus Bosnia's Croats and Muslims would not stand for remaining with Serbia in a rump Yugoslavia, and its Serbs were not prepared to become a minority in an independent state.

The sad truth is that Yugoslavia is a problem without a solution. It is of course a particular case. Its ethnic antagonisms are especially intense, its borders particularly artificial, its populations mixed, and none of its former republics' economies, except possibly that of Slovenia, viable on its own. And none of its leaders are likely candidates for the Nobel Peace Prize, to put it gently.

Yet these are differences more of degree than kind from elsewhere in Europe's east such as in Slovakia, whose split with the Czech lands was confirmed after this summer's elections. Once existing federations in Europe's east (and perhaps one day, west) begin to break down, there is no compelling stopping point—a conclusion not lost on Russian President Boris Yeltsin. Redrawing boundaries and moving people, as in the aftermath of World War I, is hardly appealing, which leaves two choices, neither one of which is much more attractive.

The first would be deep and lasting international intervention in the affairs of what had been thought sovereign states, in order to safeguard borders and protect minorities stranded among hostile neighbors. But who would be the intervenor—the UN, the EC, NATO? The other option, now mentioned more often in Europe, is to write the troublemakers out of "Europe," to ostracize them if need be and wall them off as far as is practicable.

It can no longer be denied that attempts to cope with Europe's east will put pressure on Europe's center. The lure of being accepted one day into Europe's club, the Community, may be a deterrent to nastiness in the east, but not a very powerful one. And however the EC's political role is judged, there was a manifest lack of military backup for that role, even to protect unarmed observers from the Community or for simple peacekeeping.

What Place for America?

In a letter to other European leaders last October, Mitterrand and Kohl proposed the development of a European force from an existing Franco-German brigade. At the same time, they suggested that Denmark and Greece, both NATO members, join the Western European Union, and that Ireland become an observer. (Current WEU members are nine: Britain, France, Germany, Italy, the Benelux countries, Spain, and Portugal.) The Mitterrand-Kohl letter spoke of a "European corps," creating the impression that the two leaders had in mind a force as large as 100,000.

Britain and Italy objected to the concept as undercutting NATO, and Germany took pains to reassure them—and the United States. However, Kohl and Mitterrand's proposed western European corps was something of an afterthought. The size and composition of the force were, it turned out, still matters for study. The initiative was well short of one that would entail, for instance, a more than symbolic mixing of French and German units and the stationing of German—if not American—troops on French soil.

The United States has been more than ambivalent about the possibility that western Europe might organize for its own defense. In Washington, rhetoric like "European defense cooperation" or a "European pillar" has always meant that the Europeans should organize themselves better to do what America wants. Last spring, when there was talk in Europe of a WEU rapid-reaction force, Washington weighed in with a sharply worded letter arguing that nothing Europe did on its own should disrupt NATO.[2]

The alliance has served well, and NATO is the only going security enterprise in Europe, but in its current form it does not appear to fit with a European future that may include other Yugoslavias, volatile combinations of old ethnic tensions, and new economic frustrations.

The starting point for American policy should be an end to ambivalence over the Europeans building some defense cooperation among themselves. They will do so anyway: while the immediate reaction to the war in Bosnia was caution engendered by the desire not to become involved in a quagmire, in the longer run European frustration at not being able to act will seem intolerable. It will be a goad to do better. At present, the alternative to more western European cooperation is not NATO; it is, as in Yugoslavia, confusion and muddle. It would be better all around if the United States did not play spoiler.

Western European defense cooperation would complement, not compete with, NATO. The alliance would remain as insurance against renewed threats from the east and as reassurance to nations in both eastern and western Europe. It would in addition take the edge off arguments among the western European nations about defense, and especially about Germany's role; it is one thing for western Europe to build cooperation given that NATO is there, but without NATO the process could be sharply contentious. And it is plain silly to worry about the EC getting too involved in security matters. On recent form the Europeans will not do all that much.

The next step—one that Americans and their NATO allies have approached haltingly—would be to make NATO relevant to Europe's real security problems, so that it would be prepared to undertake peacekeeping operations at the behest of the UN or the CSCE, or, suitably reshaped, on its own. The virtue of this reshaping would be that it would allow the United States to stay engaged in Europe without requiring it to provide the lion's share of troops in any engagement. Over the longer term, this reshaped NATO might take as full members those countries in Europe's east that have proved themselves committed to democracy and peace.

For the United States, this step would mean overturning the conclusion that American interests do not require the nation to continue in the active, leading political role it has played in Europe for the last four decades. Such a conclusion was suggested by the American government's first year of (non)response to Yugoslavia. By this reasoning, the overarching Soviet menace is gone, and thus civil war in Yugoslavia is tragic but does not threaten the wider peace of Europe. It can be considered Europe's concern, and America and Europe can afford to argue over agriculture.

So too while nasty turns of politics in the former Soviet Union are likely, they would take years to pose the kind of military danger to Europe's center that was the defining feature of the cold war. With its autonomous regions threatening to become ministates, Russia seems doomed to turn repressive, its citizens associating the democracy they never quite had only with longer lines for food. But it is probable that the violence in Russia will for a long while be directed inward.

Yet there is something sad, almost obscene, in America taking a walk while bloody war rages in Yugoslavia, the focal point of so much cold war hand-wringing. If America's direct interests in Yugoslavia are weak (humanitarian concerns aside), its indirect ones are not. Tactically, the last several years have made all too plain that if America sits by, the result will be gridlock. And strategically, if left untended the conflict could expand, touching interests, including ones in western Europe, that are of direct concern to the United States.

Americans may decide the risk of engagement is too great, the gain too small when measured against hard interests. If they do, though, they are deciding to play a smaller part in Europe's future than they have in the past 40 years. On that point they should be clear. ■

---

[2]The American note is described in the *Washington Post*, June 7, 1991, p. A17.

"Even with its high costs, significant changes, and major uncertainties, German reunification is not a curse and the country's health has not been seriously menaced by it. There are signs of optimism within the generally depressed economic, social, and political areas. . . . It must be underscored that—despite all the negatives—the overwhelming majority of both east and west Germans still view unity as a positive development."

Germany: Confronting the Aftermath of Reunification

BY DAVID B. WALKER

The reunification of the two Germanys was attained so quickly that even now one marvels at the rapid achievement of this totally unexpected historic development. The piercing of the Berlin Wall on November 9, 1989, by East German opponents of the decaying and corrupt regime of the German Democratic Republic began it all. The almost immediate response of the Federal Republic's government under the leadership of Chancellor Helmut Kohl, with his ten-point plan for reunification, sustained the momentum.

Steady purpose, intense but skillful diplomacy, and artful compromises—all against the backdrop of a collapsing East German economy and the West German government's collective sense that speed was mandatory—produced first an economic merger of the two Germanys on July 1, 1990, and then a political union on October 3, 1990. Subsequently, the first all-German parliamentary election since 1932 was held on December 2, 1990, and the outcome produced the first elected all-German government since the 1920s that was dedicated to the twin goals of peace and freedom.

In a formal sense and in many areas of activity, Germany now is one country. In various economic, social, cultural, attitudinal, and even administrative respects, however, it is still two. This paramount and continuing fact of German life since October 3, 1990, explains why real unification still remains a distant objective.

DAVID B. WALKER *is a professor of political science at the University of Connecticut at Storrs. He was a Fulbright Fellow at the Georg August University in Göttingen, Germany in 1990–1991.*

[1]Fritz Ullrich Fack, "Ein Jahr Danach," *Frankfurter Allgemeine,* October 2, 1991.

THE ECONOMIC CHALLENGE

The immediate challenge confronting the architects of German reunification was the multifaceted economic inequities between the old and new Laender (states). Most attentive analysts knew that the public infrastructure, state-run industries, levels of pollution, housing conditions, and energy supplies in the former East Germany were bad, but few in the fall of 1990 recognized the magnitude of the "consumption of capital that the Socialist Unity party's regime accepted, if not actually practiced, for 40 years in all areas."[1] East Germany, after all, had been the brightest economic jewel in the Soviet imperial crown. Moreover, the living standards of the two Germanys were roughly equal until the late 1950s. Yet, it was the erosion of these standards in the early 1960s that triggered the building of the Wall. This downward trend continued but did not become dramatic until the 1980s. The collapse of various state-owned firms and the seemingly uncontrollable perils of industrial pollution combined to produce soaring unemployment (1.04 million by the time of reunification) and a growing exodus to the West.

Kohl and some of his cabinet colleagues claimed the cost of reunification would not be great and would not require a tax hike. Some of this was campaign politics and some of it was rooted in the optimistic figures regarding economic and social conditions east of the Elbe that German statisticians had provided. All agreed that the new eastern Laender would require outside financial assistance, but Oskar Lafontaine, the Social Democratic party (SPD) leader, contended during the fall parliamentary election campaign that the government's initial figures were far too low and that billions more would be needed to achieve a rough parity in the standards of living in the two parts of Germany. Lafontaine and the SPD lost, but Kohl and his coalition

cabinet were left to contend with the accuracy of his forecast.

As it turned out nobody really could have predicted the magnitude of the monetary burden caused by reunification. This assignment after all involved not merely political merger following the federal formula, but a total transformation of a command economy where bankruptcy had produced a revolution, albeit a peaceful one. Not surprisingly, transforming the desolate economic landscape in the east has been a problematic, if not perilous undertaking and once under way it produced drastic shifts in opinion. As *The Economist* put it a year after reunification: "It is not surprising that Germans were delirious in the days before and after reunification. A couple of months later, their euphoria had turned to gloom. The collapse in the east astonished even pessimists. Obviously, the German miracle was over; the only question was how to cope with the riots and the recriminations to come."[2]

The riots never came, though demonstrations did occur in Berlin's Alexanderplatz outside the headquarters of the Trustee Agency, or Treuhand, the massive "holding company" for all former East German state-awarded property. But, recriminations and other nasty developments did result from the huge costs of unification to the national government and to a lesser degree, western taxpayers. These included rising national budgets, a huge flow of fiscal assistance to the eastern states, and real hikes in debt and the inflation rate. Not to be ignored is that the hikes in the debt cannot all be attributed to aid for the east. The government's failure to tackle the tough problem of slashing subsidies for housing, coal, and agriculture is another basis for the ballooning debt. Moreover, the latest round in wage negotiations with labor may be considered another negative result of unification. It produced a compromise 6.4 percent total pay increase for the steelworkers that fell above the Bundesbank's above-the-inflation rate preference, but below the workers' initial 10.5 percent demand. Later public sector negotiations produced strikes, since the government initially rejected labor's claim in the first round case that the higher taxes necessitated by "Einheit" required more than a cost-of-living hike if western workers were to hold their own economically.

To provide aid to the east, the government implemented three showpiece assistance programs. These were the German Unity Fund, the Debt Settlement Fund, and the Trustee Agency. The first established a federal assistance agency that was authorized to allocate funds to the eastern Laender under a formula that also earmarked 40 percent of each state's share to their respective localities. The fund was granted $57.95 billion for aid to the new five states and an additional $12.2 billion of fund monies was set aside for discretionary federal aid purposes. This effort is jointly financed by requiring the federal and western Laender governments to pay an annual annuity that amounts to not more than 10 percent of their own outstanding credit as of the end of the previous year. This is the chief western Laender fiscal contribution to rehabilitating the east.

The Debt Settlement Fund was assigned the job of paying off certain budgetary and debt commitments of the former East German regime that were stipulated in the reunification treaties. The Trustee Agency has the tough job of selling off the former state-owned industries. But the Trustee Agency is not merely in the selling business, though free market advocates wish that it were. In fact, were the former East German state enterprises modern, efficiently run, and manned by skilled and motivated workers, selling would be the Agency's sole mission. But, East Germany's "people's companies" were inefficient and their work forces well trained but unmotivated. Hence, the Trustee Agency faces three assignments: to sell the few functioning firms that exist; to assist in restructuring those that have successfully contended that given a break they could become effectively competitive; and to shut down the worst factories. The first can produce some revenue. But the last two can only generate losses. At the end of its first year, the Agency succeeded in getting parliament to scrap the biggest legal barriers to investment in the east; selling nearly 3,000 industrial plants; sacking 1,400 incompetent eastern managers; closing 600 firms—to the consternation of many *"Ossis"*; keeping afloat others that many *"Wessis"* would like to have seen fold; calling on investment banks—some foreign—for expert counsel on management buy-outs and buy-ins; and fighting off claims that it was top-heavy with ex-Communist administrators. It still had 10,000 firms to dispose of by early 1992, but it had privatized a total of 5,000 companies and its retail firms accounted for only 22 percent of those working in the east.

Lesser, but nevertheless significant are three emergency federal programs: regional development ($9.15 million), local housing rehabilitation ($6.1 billion), and infrastructure improvement ($6.1 billion). The housing program is run by the Reconstruction Loan Corporation that is financed jointly by the federal and western Laender governments, a second case of intergovernment collaboration for the sake of unity. In addition, the state-owned communications conglomerate, Telekom, will spend $33.5 billion before 1997 in a major effort to modernize a hopelessly outdated eastern system. Whether Telekom can cover the costs from its own revenues and still remain competitive is doubtful. In addition, $30.5 billion in investments are needed to modernize the east German railroad system,

[2]"Should Germany Cheer?" *The Economist*, September 14, 1991, p. 15.

but neither the western nor eastern railroads can come up with the funds without risking financial disaster.

Reunification also left the country with a pile of foreign debts. Many were deemed necessary for or as a facilitator of unification. One provision of the German-Soviet agreement called for German outlays of $10.37 billion to ease Soviet troop withdrawals from eastern Germany and provide vocational or other educational opportunities to those soldiers needing job skills. Housing for ex-Soviet army veterans is another German contribution. Other aid included $10.4 billion to ensure that the Russians received the goods they relied on from East Germany; $10.37 billion in state supported export credits; and $3.05 billion for increased state backing for untied German credits to the former Soviet Union. The total bill for Soviet withdrawal came to $30.5 billion, as of late June 1991. In friendly overtures on the part of Kohl (and to the periodic consternation of his own finance minister), generous gifts of German credits were offered to the leaders of Hungary, Czechoslovakia, and Poland. With the first two it was for their support of Einheit; with the Poles, as might be expected, it was to help assuage their deep fears about it.

Finally, another indirect but expensive result of reunification was the decision to reestablish the capital in Berlin, deep in the eastern portion of the new Germany. While a number of domestic departments will remain in Bonn, more than half the total federal executive establishment as well as the Bundestag will go to the traditional capital. The estimated cost? Around $54.9 billion to be spread out over a decade, a modest estimate perhaps given the immense outlays that will be required to rehabilitate what few public buildings remain in what was the official center and to build new edifices on what is now a vast vacant expanse adjacent to the relics of the old regimes. An architect's dream, but more debt for the finance minister, Theo Waigel, to deal with.

THE LEDGER'S OTHER SIDE

Not to be overlooked when probing the fairly negative side of the ledger are various items, some almost hidden or forgotten, on the favorable side. First among these are the savings that unity has brought. These include the disappearance of development funds for slow growth regions along the old frontiers with East Germany, the costs of the border police, and the secret payments to East Germany to facilitate the migration of its residents to the West. The first two items account for a savings of $70.15 billion over a four-year period—or the very cost of the Unity Fund. In addition, the European Community subsidy payments of $2.4 billion annually for East German social, regional, and farming assistance will continue through 1993.

Other optimistic economic omens can be found in the east itself—miraculous as that may seem. Over the past 18 months, the five Laender have been visibly transformed—not totally of course, as anyone who has been there recently can attest. Yet, there are new roads, bridges, shops, and factories. More east German-made goods are being exported to the west since they now meet western standards. Construction is booming and private as well as public investment is pouring in. A 10 percent eastern growth rate is predicted for this year. The depression in the east seems to have bottomed out and recovery is slowly beginning to assert itself. Out of the ruins of a centralized command economy has risen a "social market economy" (the west German term).

Equally significant, all this has been achieved without totally crippling the west German economy. As a matter of fact, it was wholly the opposite in 1990. West German economic growth soared ahead at a 4.5 percent clip and the country pushed into a first rank position in the world economy. Its heavy trade surplus was reduced to $47.95 billion, a drop of $8.23 billion from the 1989 figure. Exports rose by only 2 percent, but imports grew by 6.6 percent partly in response to the boom in the west and the desperate need for all kinds of goods in the failing east. Within Europe, Germany led in four major areas of economic activity: finance, insurance, chemicals, and automobiles.

The growth rate slowed last year, but the balance of trade was still marginally favorable even though imports continued to grow. West German unemployment was reduced, though more jobs were lost in the east than were created. Most of these indicators should be a source of strength and confidence. Moreover, the developments in the east alone can only be considered as extraordinary, given the brief period during which they have evolved.

Closer scrutiny of the German economic landscape, however, reveals some disquieting signs. What has been achieved in the east has come at great cost due to massive infusions of external aid and the heavy federal borrowing. Total borrowing by the national, state, and local governments plus the post office and railways amounted to 200 billion deutsche marks for the first six months of 1991 alone, or almost 8 percent of GNP. Moreover, the inflation rate passed the 4 percent level, causing deep concern. This is the backdrop for the Bundesbank's abiding concern with inflation and its resultant hiking of interest rates—a policy that irritates Americans as well as most of Germany's European Community (EC) partners. With the latter, these hikes tended to push their own rates upwards, thus retarding economic growth and this has prompted countries like France to claim that German unity is being financed to the economic detriment of Germany's EC partners. German sensitivity to the issue finally led the Bundesbank to lower its interest rate by half a point in September, only a few days ahead of the French vote on

the Maastricht treaty calling for greater political and monetary union in the EC.

A second basic worry is the reduction in German domestic (but not foreign) investment and the comparatively meager foreign investments in Germany. The reasons are multiple—high corporate taxes, large environmental and power costs for companies, very expensive labor (the most expensive in the world after Norway), and in the case of foreigners, the difficulty of penetrating and staying in the German market—eastern Germany excepted. All this creates another reason for German angst.

THE GULF BETWEEN EAST AND WEST

Though reunification occurred over two years ago and while massive financial and other assistance has poured into the east during this period, the *Ossis* and *Wessis* seem almost as different, if not more so now, than they were prior to Einheit. Not surprising, some would say; but such sentiments are not very helpful in strengthening the social and psychological bases of the country's economic and federal systems.

Thoughtful Germans have recognized since the piercing of the Wall that real unity would involve far more than the economic and political merging of the two Germanys. The lead *Stern* editorial in the issue following the day of reunification cautioned that "But above everything else this day is a beginning. It is constitutional hour zero for the united fatherland and for the nation. It is the starting round in a very lengthy process: the effective bringing together of the Germans. . . ."[3] To many non-Germans, this may seem to be much ado about nothing. Don't east and west Germans speak a common language, have a common culture, read the same great books, hear identical monumental musical works, and eat the same culinary delights? The response to any such query as this is, of course, "yes," but the same could almost be said of Germany and Austria or Germany and much of Switzerland. The stark explanatory factor here is that two very different Germanys emerged between 1945 and 1990, with sharply contrasting political, economic, social, and value systems.

The Wall may have come down, but barriers of the mind and heart remain and they have combined to produce among many westerners and easterners caustic social caricatures of one another. The *Stern* editorial captured this social psychological phenomenon quite well:

> Have not the Westies for some time among themselves condemned this slow, passive, risk-avoiding, inefficient, lazy, dependent, [East German] type with the special smell, who for some time has basically longed to return to his carefree lowbrow life. . ., where a socialist spystate is permitted to act any way it pleases? And have been the Easties not fed up for quite a while with the loud, smart, arrogant, know-it-all, hectic, insensitive, heavy spending, marketplace Rambo with the deutsche mark sign in the pupils of his eyes, in whose wealthy wonderland everything, yes everything, is better?[4]

While overdrawn, oversimplified, and even false in some respects, these derogatory descriptions do contain some truths regarding the social, economic, cultural, and behavioral differences between the two Germanys. But it is more than a matter of mere differences, because disparities, severe disparities, also are involved and the east in nearly every case is the disadvantaged partner. The viability of any nation, federation, or family is threatened if rank inequalities exist among its members. The risk is especially great among the Germans, given their generally strong adherence to certain social egalitarian goals.

The physical wall between east and west Germany came down and the initial economic chasm between the two is gradually being filled in more rapidly than many deemed feasible in 1990. But the social and psychological barriers do not seem all that much lower and in some respects they may be higher. The *Stern* editor's caricature of the two types has not disappeared. People on both sides still refer to the other area as *druben* (over there), rather than to the city, town, state, or individuals involved. *Wessis* are increasingly worried about unity emptying their pockets, while *Ossis* seem irritated about possibly losing their identity and respect (they were, after all, the elite member of the old Soviet-dominated eastern bloc).

No wonder Kohl and seemingly everyone in authoritative public positions—political, religious, societal, and artistic—urge westerners to be "tolerant" and easterners to be "patient." Now, both Germanys seem to be on the analyst's couch. Though with salutary developments on the economic front and with the maturation of the younger generations, the need for these words of good counsel may not be so necessary. Instead, the cultural and attitudinal bases for a healthier federative and social system (that is, accepting differences without mutual distrust and divergent value systems without accompanying reciprocal disrespect; and stressing commonalities with a downplaying of divisions) may have been molded and more rapidly than most experts now think possible. In any event, the adaptive processes of a functioning federal republic can make a major contribution to nurturing further these accommodating, if not admirable values.

---

[3]Rolf Schmidt-Holtz, "Einheit-jetzt fangt alles erstrichtig an," *Stern*, October 10, 1990, p.3.

[4]Ibid.

THE POLITICAL COSTS OF UNIFICATION

Over the first four months of 1991 and as the costs of unity became more apparent, the Social Democrats swept to power in key state elections—first in January in Hesse and by April in Rhineland-Palatinate, Kohl's home state and one that had never abandoned his Christian Democratic party. The fall state election in lower Saxony produced a renewal of the Social Democratic-Green coalition in Hannover, but in Bremen's earlier contest, the loss of its absolute majority required a Social Democratic-Green-Free Democratic alliance. At the national level, control of the Bundesrat shifted to the SPD by a slight majority, thanks to these state outcomes.

All these electoral results grew out of controversies caused by reunification and generally they have hurt the Christian Democrats and the Free Democrats, though not exclusively. A January poll showed an overall rise in Christian Democrat fortunes in the east with a nearly 10 percent hike in popularity since their March 1991 low of 23 percent. In addition, the Social Democratic party dropped from its September 1991 high of 39 percent to 33 percent or a half percentage above the Christian Democratic figure. A February poll for all of Germany showed the Christian Democrats-Christian Socialists and the Social Democrats with 40 percent each; the Free Democrats received 10 percent, while the Greens had about 6 percent.

The most recent state elections in Schleswig-Holstein and Baden-Wurttemberg in April produced a Christian Democratic loss in the latter, which was their last western stronghold, and a marginal retention of Social Democratic control in the former. Both the leftist Greens and especially the right-wing Republicans picked up strength at the expense of the major parties. The fallout from reunification and the new challenge stemming from accelerated immigration from the east and the Balkans, along with the country's ultra-liberal constitutional provisions regarding political asylum were cited as the basic causes.

Another political by-product of unity is the growing tensions in the government coalition. The Christian Social Union (the separate Bavarian counterpart of the Christian Democratic Union) took the chancellor to task after the western state elections losses, blaming him for alienating conservative voters by giving the Free Democrats too much policy clout in the cabinet. On the other hand issues like abortion, subsidies for coal, farmers, and housing, and new taxes have generated cleavages between the Free Democrats and their Christian coalition partners. Reunification-related issues were a prime conditioner of these intra-coalition conflicts. The April 29 resignation of the seemingly permanent foreign minister, Hans-Dietrich Genscher, only compounded the friction among the Kohl coalition parties.

A LINGERING ANGST

The costs, the changes, and the uncertainties engendered by reunification have been so great that it is not uncommon to hear Germans talk as if their country is weaker than when it was divided. Some of this is simply the habitual German anxiety that arises when things are not going smoothly and simply, and some of it is a reasonable emotional reaction to the greatest challenge Germany has confronted since its founding.

The financial costs in terms of government outlays, public debt, hikes in taxes, rising interest rates, and creeping inflation are all sources of alarm, since in combination they present a major departure from traditional German public finance practices. The related social and psychological costs also have been steep. The bifurcation of certain crucial attitudes, policy approaches, and priority values along geographic lines underscores the existence in many manifestations of two Germanys.

As it turns out, neither part of Germany at present is brimming over with much self-confidence. This is true for the westerners as well as those easterners who remember East Germany's leading role in the Soviet Empire—it is a new, enervating, and frightening feeling. This perhaps is the highest—albeit probably only temporary—cost of unity.

Even with its high costs, significant changes, and major uncertainties, German reunification is not a curse and the country's health has not been seriously menaced by it. There are signs of optimism within the generally depressed economic, social, and political areas and in the domestic uncertainties about eastern Germany and the additional worries about German power without German purpose and German purpose without German power. It must be underscored that—despite all the negatives—the overwhelming majority of both east and west Germans still view unity as a positive development.

Despite current sharp criticism of German leadership, notably of the chancellor, responsible leadership is a big plus in the current situation; most government and opposition chieftains tend to stress unifying themes when discussing the eastern question. As Kohl emphasized in his New Year's Address from Bonn, "reunification means sharing the worries of the five new states" for "we are one people." He deplored the "us and them" approach and called on his countrymen in the east and west to "show fellow-feeling for one another." In America or certain other countries, much of this would be dismissed as political rhetoric, but in Germany where leaders are still respected and listened to, such comments carry greater weight. And clearly they are needed because considerable time remains before unity becomes a reality. This awareness on the part of German leadership is yet another optimistic sign that should not be overlooked when assessing the future of German unity and the German federal system. ■

"America's response to the challenge it faces in eastern Europe has been woefully inadequate: timid, reactive, and unimaginative. Washington still aspires to 'lead' the Western alliance, but American policymakers seem to think they can do so by keeping large military forces sitting around Germany waiting for an attack on a member of NATO that no one expects."

Avoiding Risk and Responsibility: The United States and Eastern Europe

BY JENONNE WALKER

The United States should be far more engaged in the economic and political recovery of eastern Europe. As the Yugoslav tragedy makes clear, threats to the continent's peace and stability stem far more from the conflicts within states newly freed from communism than from planned aggression across established borders. The issue is not just one of altruism or concern with what Secretary of State James Baker 3d rightly called a "humanitarian nightmare." America's own economic and political welfare will be affected by the fate of Europe's new and would-be democracies.

An America that now depends on exports for one of every six manufacturing jobs—and for almost all new jobs created—can benefit enormously from the development of vast potential markets throughout the region. "More Yugoslavias," or even lower-level turmoil and setbacks to economic and political reform would dash those hopes. They also could produce the refugee flows that America's traditional western European allies identify as the chief threat to their own stable and open societies. And if democratic forces fail in Russia, a newly authoritarian and hostile regime there could once again directly threaten the United States and challenge its global interests. Finally, the values for which America stands and with which it is identified in the eyes of the world are being tested in eastern Europe as nowhere else. The failure of democratic forces in that region will also be seen as America's failure.

WHAT IS NEEDED

Insofar as outsiders can help, the tools will be primarily political and economic, not the military might the United States has largely depended on for influence in Europe. And when the use of military force is appropriate, different kinds of action, under different command arrangements, will be necessary—as will be the readiness to encounter very different sorts of risks.

America's response to the challenge it faces in eastern Europe has been woefully inadequate: timid, reactive, and unimaginative. Washington still aspires to "lead" the Western alliance, but American policymakers seem to think they can do so by keeping large military forces sitting around Germany waiting for an attack on a NATO member that no one expects. When the permanent members of the United Nations Security Council were asked to contribute forces to the UN peacekeeping mission in Yugoslavia, France provided the largest contingent—2,000 troops in Croatia alone and another 700 later in Bosnia and Herzegovina—and Russia responded with a crack 900-man airborne brigade. Washington, unwilling to risk a single casualty during an election year, declined to provide even observers. Thus the score for willingness to risk lives for Europe's real, post–cold war security needs now stands at France 2,700, America 0. Our allies notice.

Neither President George Bush, his Democratic challenger, Bill Clinton, nor the leadership of either party in Congress has been willing to make the case that economic assistance to eastern Europe can serve America's own interests. Calling a high-profile international conference in January to—as one leading German official put it—"coordinate German aid" to Russia richly merits the disdain such grandstanding receives in western as well as eastern Europe.

JENONNE WALKER, *a former State Department official with extensive experience in United States-European relations, wrote this article while a guest scholar at the Woodrow Wilson International Center for Scholars in Washington, D.C. She is working on the potential of European regional organizations to mitigate ethnic and other conflicts within states under a grant from the John D. and Catherine T. MacArthur Foundation. Her most recent publication is* Fact and Fiction About a European Security Identity and United States Interests *(Washington, D.C.: The Atlantic Council, April 1992).*

It is right that western European states should bear most of the economic costs, and risk most of the lives, in the transformation of eastern Europe. The western Europeans are prosperous (a prosperity won in part with America's postwar economic assistance and under Washington's prolonged military protection), increasingly united, and ambitious for a larger security role. And they stand to benefit—or suffer—more than the United States from their eastern neighbors' success or failure. Germany alone, for instance, is supplying almost 90 percent of the foreign assistance Russia is receiving, much of it to remove ex-Soviet soldiers in eastern Germany, as well as at least half the foreign investment in eastern Europe. Grants by the European Community (EC) to eastern Europe are about double those given by the United States. But for western Europe to carry the heaviest burden does not justify a marginal United States role in responding to the new challenges of European security. Nor is it in America's interest to stand aside while Germans, the French, Italians, and others position themselves to take advantage of eastern Europe's economic potential.

There are limits to what outsiders can do, but that is no excuse for not doing all that is feasible. Some forms of economic assistance to the region would be wasted under present circumstances, but others would be an excellent investment. On the political front, international diplomatic action cannot guarantee "no more Yugoslavias," but multilateral mechanisms can help ease tensions within the new and would-be democracies, thus reducing the likelihood of armed conflict. Military intervention in Yugoslavia cannot overcome the hatreds of centuries and produce harmony among Serbs, Croats, and Muslims, but it might end Yugoslavia's present bloodbath and timely action could prevent fighting elsewhere in the region. But military action in particular would carry significant risks for the United States and its partners. Once things get to the point that outside force is needed, all possible courses of action (including inaction) have serious disadvantages. The first question about America's policy toward the new Europe should therefore be what the United States, along with others, can do to help ease sources of conflict within eastern European states before they turn violent.

Providing Economic Assistance

Material hardship does not cause ethnic animosities, but a shrinking economic pie almost always exacerbates them. Indeed, economic problems already are providing fertile ground for antidemocratic appeals in Russia and in Poland and elsewhere in eastern Europe. In some of the region's countries the fate of democracy may be inextricably linked to their relative economic success.

The Bush administration's Trade Enhancement Initiative of 1991 has lowered barriers to American markets for some of the products, most notably textiles and steel, in which eastern Europeans may be able to compete. But the opportunity to do so will not be enough. All the countries of eastern Europe could make good use of vastly increased training programs—what bureaucrats call "technical assistance"—not just for government officials, businesspeople, bankers, and military leaders, but also for lawyers, teachers, journalists, social and environmental workers, health care professionals—the whole range of people who make up the civil society so critical to creating a market economy and democracy.

This kind of investment in people is relatively cheap and it will not be wasted, whatever temporary setbacks the economic or political transformation encounters in eastern Europe (or in Russia). The contacts formed will also bring economic returns, as a new generation of public and private sector leaders turn first to the products and people they have come to know. The billion dollars a year the EC has budgeted for such programs suggests that western European governments understand this. So should America's.

When it comes to structural investment—investment in things rather than people—Washington has correctly stressed that eastern Europeans themselves must establish the conditions that will attract private capital. But there are some elements necessary to bring in private investors that they cannot afford to do themselves. Environmental cleanup and modern transport and telecommunications systems are the most obvious examples. The last is also an investment in democracy, since it would be far harder to reimpose authoritarian control on a people who can easily communicate with each other and the outside world. Washington should therefore moderate its opposition to public sector assistance for such programs, including that from the European Bank for Reconstruction and Development (EBRD) and other international financial institutions.

Most structural investment should be funneled through these institutions, which have the expertise and experience in setting conditions and monitoring compliance. Not least important, the United States should realize that small amounts of American money in such institutions can leverage other money. Paying America's $12 billion share of the International Monetary Fund's planned increase would unfreeze $48 billion from other donors. Doubling the funds available to the EBRD would cost the United States $1.2 billion while making an additional $12 billion available to eastern Europe's struggling democracies.

And we need not just hope that overall economic growth and greater optimism about the future will soften some of the rough edges of ethnic and other tensions. At least some of the assistance should be reserved for projects jointly designed by wary neighbors across whose borders ethnic groups spill, much as

Marshall Plan aid was used to get western European countries working together rather than fighting each other after World War II. Several embryonic subregional groupings—for example, those among Poland, Hungary, and Czechoslovakia, or those among Baltic or Black Sea littoral states—could benefit from such support. The reluctance of some eastern European countries to pool their efforts, possibly a legacy of their forced cooperation under communism, should not deter donors from making it a condition of their aid.

American exporters and investors should also receive help from their government comparable to that enjoyed by the Germans and the Japanese. Government assistance could include tax deferrals for investment in new democracies that meet political as well as economic criteria, as well as making more funds available to the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank for use as credits once the countries of eastern Europe are in a position to use them.

OPIC and Export-Import Bank programs cost American taxpayers nothing, and none of the proposals sketched above would involve large amounts of money. It is not true that because the United States has its own economic problems it cannot afford to do more for eastern Europe. The Congressional Budget Office estimates that it costs about $4 billion dollars annually to keep just one United States army combat division in Germany. By contrast, since the collapse of communism the United States government has mustered only about $1 billion per year for all of eastern Europe and the former Soviet Union.

This ratio gets United States priorities dead wrong for Europe's real postwar security needs, as well as for America's own economic health. A more sensible post–cold war military presence in Europe would be what Senator Sam Nunn (D-Ga.) once called "reception forces"—headquarters, logistics, intelligence, and other units to monitor the situation and facilitate reinforcement if a major conflict should again threaten—plus a combat brigade or two if the United States is willing to use it for quick reaction "fire-fighting" contingencies and multilateral peacekeeping tasks. Most of the money saved should be spent on America's own needs, but even a small part of it could make a critical difference in eastern Europe.

PREVENTING INTERNAL CONFLICTS

America should also be leading efforts to develop European political structures that can build barriers to conflicts between states and, perhaps even more important, help resolve ethnic conflicts within them.

The last will be especially difficult. But it is not widely appreciated in the United States how far European countries already have gone in ceding bits of sovereignty to different regional organizations and, in the process, giving each other the right to interfere in their internal affairs. The United States is barred by geography from some of the most important of these regional organizations, such as the EC and the Council of Europe, whose Human Rights Court allows individuals to appeal over the heads of their governments.

America is, however, a member of two important regional organizations: NATO and the 52-nation Conference on Security and Cooperation in Europe (CSCE), whose mandate covers not only military security (for example, arms control) and economic issues, but also human rights. Unfortunately, the Bush administration has all too often seen the CSCE as a competitor and has tried to stunt its growth lest it compete with NATO for European attention and enthusiasm.

That is a mistake. There is no need to be defensive about NATO. It is likely to remain important to its western European members as the only available insurance against the revival of a military threat to their own territory, and as a forum for consultations about the range of global issues affecting Western security. It also is valued by eastern European governments. The alliance's new North Atlantic Cooperation Council, to which all eastern European nations belong, is an important source of concrete information and training, especially regarding civilian control of the military and the military's role in a democracy.

Perhaps even more important, NATO's very existence makes eastern Europe's democrats believe that their neighborhood is more stable, and since stability to some degree is in the eye of the beholder, that perception can affect their behavior during a crisis. And NATO wisely has not said it would not defend one of the new democracies if it is threatened by foreign aggression. Whatever the likelihood of such action, any potential aggressor will have to worry about the possibility.

But whatever trendy new jobs Washington tries to give NATO, it will remain essentially a military security alliance for defense of present members' territory. For a variety of reasons, it cannot soon—if ever—offer full membership to the states of eastern Europe—neither the United States Congress nor European parliaments will make a prior commitment to guarantee each of the former Soviet republics against all the others, or even the present borders of the eastern European states. Even if they were willing to do the latter, a security alliance that included Moscow's former satellites but excluded Russia would tend to leave Russia feeling surrounded and beleaguered. This would have precisely the wrong impact on the struggle just beginning over that troubled country's future and make everyone less secure in the long run. However, external aggression is not eastern Europe's chief security problem, and NATO's mandate does not and cannot cover the conflicts within states that acutely threaten the region.

The CSCE, by contrast, is a forum in which all the

states of eastern Europe are full members and whose writ specifically covers human rights issues. In a series of increasingly detailed agreements, the United States, Canada, and all the governments of Europe (including all the former Soviet republics) have made sweeping commitments about how they will treat their own people, especially minorities. These CSCE agreements go beyond freedom from discrimination and include commitments to protect the ethnic, cultural, linguistic, and religious identity of minorities. Other provisions on electoral, judicial, and police practices, the media and freedom of association, and the flow of people, information, and ideas across borders in effect set the ground rules by which CSCE governments have agreed to deal with internal dissent. And in the October 1991 concluding document of the Moscow meeting of the Human Dimension of the CSCE, all members explicitly accepted that compliance with these agreements is "of direct and legitimate concern to all participating States and (does) not belong exclusively to the internal affairs of the State concerned."

These commitments lack any teeth beyond moral suasion. Despite some interesting recent agreements (for example, for emergency meetings, for any six CSCE states to trigger a human rights fact-finding mission to any other member state, and for the creation of a CSCE commissioner for minorities with monitoring and early warning responsibilities), more could be done to increase the CSCE's potential for moral pressure, and some small steps toward actual enforcement might be possible.

Washington still blows hot and cold about the CSCE. But it recently took the positive step of appointing a permanent ambassador to it, a step that may prompt several other countries to follow suit. A permanent, ambassadorial-level CSCE forum would give all eastern European states the assurance of being able to ask—and require them to answer—questions not only about military activities, but also about human rights or other domestic practices that might threaten Europe's peace, without the cumbersome procedures that are now necessary to call an emergency meeting.

THE UNITED STATES AND THE CSCE

The United States could take the lead in entrenching the idea that human rights problems are a legitimate concern of the Euro-Atlantic community as a whole, and to make oversight of CSCE agreements a normal part of life for all CSCE members. Most CSCE states, for instance, assume that human rights fact-finders will only be used in cases of large-scale peace-threatening abuses. Washington could begin to change that assumption by inviting a CSCE human rights team not only into an area of racial tension like Los Angeles or the Park Slope section of Brooklyn, New York, but also to see an impressive success story like the United States army. That would not only help make the role of CSCE's human rights rapporteurs routine, but also promote the idea that their findings need not always be negative—that they also can disseminate information about constructive national practices that may be useful elsewhere.

CSCE agreements to accept a third party role in disputes between states should be tightened, and the clause excluding disputes involving territory or sovereignty should be dropped. Those are precisely the kinds of disputes, whether in the Crimea or South Ossetia, that are most likely to produce conflict. Unfortunately, Washington has thus far helped block agreement on a French proposal to establish a permanent CSCE tribunal to hear such disputes.

The French proposal is a good one, but should be expanded to include disputes within states. The CSCE should have a panel of respected jurists, free from political influence, to hear human rights complaints from people in states that do not yet (and some may never) meet the democratic criteria for membership in the Council of Europe. While the panel's opinions might have to be only advisory, they would carry substantial moral weight, especially in countries eager for international approval and support. Assuring Serbs in an independent Croatia, or Armenians in an Azerbaijani republic, or Hungarians in an independent Slovakia, or the 25 million Russians living in non-Russian republics of the former Soviet Union, that they can appeal human rights grievances over the heads of their national governments could help ease their fears.

The CSCE is likely to move slowly if at all into actual enforcement. But its members must consider what to do if no amount of moral suasion works and one of their number seriously flouts agreements in ways that threaten Europe's peace. There should be a middle ground between ramming decisions down governments' throats and undermining the CSCE's slow but valuable work of consensus building, and remaining impotent until fighting starts. There has to be a better way of ensuring, for instance, the human rights of ethnic Russians outside Russia than the notion, increasingly heard in some Russian circles, that doing so will give the Russian army a new mission.

CSCE members already have agreed that "consensus minus one" (that is, all except the state under discussion) can impose diplomatic sanctions on a member—a provision so far used only to suspend Belgrade's participation. This procedure should be extended to include economic sanctions, before a civil war is under way and passions overwhelm all considerations of rational self-interest.

These suggestions for procedures to help ease tensions within states require American support if they are to succeed. At the very least, Washington needs to stop advising European governments that value NATO that they must somehow "choose" between it and

giving the CSCE more clout. Putting these suggestions into practice would also require some additional resources, not least to educate the citizens as well as the officials of Europe's new and would-be democracies about CSCE human rights commitments. To date, Washington has been willing to spend money to bring eastern European officials to sessions of NATO's North Atlantic Cooperation Council, but not to CSCE training programs.

Perhaps most difficult of all, Americans would have to accept not only the right of others to comment on their own remaining racial and other human rights problems, but also the right of American citizens and other residents to appeal to an international judicial body if they felt their rights were being abused. Allowing such appeals could be hard for a country that will not even accept the right of the International Court of Justice to rule on its mining of Nicaragua's harbors. But ceding increasing sovereignty over the internal as well as external behavior of a government is very much a part of the European scene. If the United States wants to remain a "European power," or to promote collective, international settlement of internal disputes and observance of human rights, Americans will have to submit to the same rules by which they want others to play.

THE ROLE OF MILITARY FORCE

While preventing war obviously is preferable to fighting one—especially a messy war like that in the former Yugoslavia—it will not always be possible. If the United States wants to remain relevant to Europe's security needs, it will have to think differently about how to use its forces and what risks it is willing to run.

This spring and summer saw the bizarre spectacle of Washington insisting that NATO be anointed as implementor of CSCE peacekeeping decisions, while all too vividly demonstrating an unwillingness to participate in such operations. In the end the United States joined an agreement that CSCE might call on states to provide peacekeepers, but only after there is an effective cease-fire to monitor, and only with the consent (indeed cooperation) of the parties to the conflict.

That is not good enough. The best time to deploy peacekeepers is before fighting starts, and their mandate should include shooting back if necessary to make or keep the peace. Yugoslavia demonstrates that soldiers unwilling to fight are a poor deterrent.

Eastern Europe holds a range of potential situations where peacekeepers—not just observers—could be needed. They almost always should operate with the consent of the government on whose territory they will be located. That could happen at times of tension between two states, when both welcome an outside force to help them cool things down, or when one government wants help on its side of a threatened border. Bulgaria, for example, asked in 1991 for military observers on its side of its Yugoslav border and the Bosnian government probably would have welcomed them when its independence was declared and recognized—before Serbian aggression began.

There might also be an agreement among CSCE states to accept a peacekeeping force during third-party efforts to settle an internal dispute, ensuring that no group torpedoes the process with force. Such an approach would enable peacekeepers to go into Serbia's Albanian enclave of Kosovo, for instance, before large-scale fighting begins and ideally prevent it.

There will be some exceptional cases when multilateral military action to stop fighting or repel aggression will be justified. Failure to do so in Bosnia this spring and summer signaled to every potential aggressor throughout the region that he can literally get away with murder, so long as his victim does not have oil. That is a dangerous message to send, especially to possible troublemakers in a former Soviet Union replete with nuclear weapons and chemical factories.

Trying to stop the slaughter in a Yugoslavia where historical grievances are so mixed, the terrain so difficult, and much of the fighting being done by irregulars will be far harder than pushing the Iraqi military out of Kuwait. Even policing a cease-fire will require the willingness to put forces in a position of risk UN peacekeepers generally have shunned. But it is the new military security challenge of post–cold war Europe, and the best way to limit the number of times force might be needed is to demonstrate a willingness to use it.

An added problem, for Americans, is that if western Europeans supply the bulk of the forces and risk most of the lives—and they should—they will have a right to claim command of the operation. This means that American forces could come under non-American command. The other side of burden sharing is power sharing.

The answer of many, perhaps most, Americans will be to shun military engagements like this. Or they may be willing to participate in a relatively brief action, primarily from the air, to silence the guns shelling a Sarajevo and ensure delivery of humanitarian relief supplies, but not in the long and more dangerous slog of keeping forces on the ground to ensure a subsequent peace while refugees return home and negotiations proceed about border adjustments and minority guarantees. If so, they should realize that they are effectively saying the United States is opting out of a serious role in the military dimensions of Europe's post–cold war security problems, just as it so far has largely stood aside from the economic dimensions and even impeded progress on political issues. Making such a choice could have grave consequences not only for eastern Europeans, but also for America's role in Europe and beyond. ■

"Two. . .factors. . .are particularly significant for understanding the violent dissolution of the Yugoslav federation. One is the persistence and intensification of deep antagonisms among the country's diverse ethnic and religious groups. . . . The second is the failure of political leaders. . .to agree on a new model of political and economic coexistence."

The Disintegration of Yugoslavia

BY LENARD J. COHEN

Once again the vexatious political problems of the Balkans have resulted in regime breakdown, ethnic violence, and human suffering. Between the summer of 1991 and the spring of 1992 the Yugoslav federation designed by Josip Broz Tito's Communist regime completely disintegrated, and was replaced by several successor states. Three of the republics in the former federation—Croatia, Slovenia, and Bosnia and Herzegovina—established their independence through unilateral "disassociation" from the Yugoslav state and, despite the armed struggles that then ensued on their territories, were soon recognized by the international community.* A fourth republic, Macedonia, also proclaimed independence, but its recognition was postponed after Greece complained that a state with that name would have territorial aspirations to its northern province of Macedonia.

International acceptance also eluded the two remaining republics, Serbia and Montenegro, which endeavored to inherit the mantle of the former Yugoslav state. This "remodeled" Yugoslavia failed to obtain international recognition because of the widely held belief that Serbian President Slobodan Milosevic was masterminding military aggression against Croatia and Bosnia.

Why did Yugoslavia collapse, and why has that collapse generated so much violence and suffering? Answers to those questions abound, ranging from conventional observations that the state was doomed to disintegrate as a result of internal contradictions to recent arguments that the international community failed to prevent the spread of violence. Two other factors, however, are particularly significant for understanding the violent dissolution of the Yugoslav federation: one is the persistence and intensification of deep antagonisms among the country's diverse ethnic and religious groups. The second is the failure of political leaders, who came to power in multiparty elections in 1990, to agree on a new model of political and economic co-existence that could have preserved some form of Yugoslav state unity, but would have also permitted expanded "sovereignty" of the federation's territorial units and ethnic groups. The combined impact of heightened ethnic and religious animosities and failed political leadership not only contributed to the demise of Yugoslavia, but also unleashed the violent ethnic strife consuming the former federation.

IN THE "PRISM OF HISTORY"

Balkan society is known for its pronounced religious and ethnic diversity and for its intractable pattern of group antagonisms. Throughout much of Balkan history the region's heterogeneity has been nurtured to maintain authoritarian rule. For example, the contending Ottoman and Hapsburg empires, which asserted hegemony over the various South Slav ethnic groups between the late fourteenth and early sixteenth centuries, maintained political control until the early twentieth century through several divide-and-rule strategies, including the segmentation of religious communities.

Despite those imperial policies, some members of the nonruling intelligentsia sought to forge closer ties among different ethnically related communities. One such initiative, the "Yugoslav idea," elaborated by Croatian intellectuals during the first part of the nineteenth century, advocated closer cultural and political ties among the various South Slav peoples. Although it attracted considerable support among the South Slav intelligentsia, and provided an important option for political change as imperial rule waned just before and during World War I, the Yugoslav idea enjoyed little support from others in the region.

Its limited popular support notwithstanding, a unified Yugoslav state was created in 1918, bringing together several South Slav and non-Slav ethnic groups.

LENARD J. COHEN *is a professor of political science at Simon Fraser University in Canada. His books include* Political Cohesion in a Fragile Mosaic: The Yugoslav Experience *(Boulder, Col.: Westview Press, 1983), and* The Socialist Pyramid: Elites and Power in Yugoslavia *(Oakville, Ontario: Mosaic Press, 1989). He is currently completing* Broken Bonds: The Disintegration of the Yugoslav State *(Boulder, Col.: Westview Press, forthcoming).*

*In this article, Bosnia is used as the shortened form of the country's name.

> **"If we have to fight, well then we will fight. But I hope they are not going to be crazy enough to fight with us. For if we don't know how to work and produce that well, at least we will know how to fight well."**
>
> **Slobodan Milosevic, President of Serbia**
> **March 16, 1991**

While the state's Belgrade-based political regimes largely abandoned the earlier imperial policies of group division, their attempts to induce a pan-ethnic "Yugoslav" consciousness during most of the next 73 years only aggravated ethnic antagonisms. Whether under the Serbian dominated unitary state between the two World Wars, or the more ethnically balanced but oppositionless Communist federation established by Tito, ethnic grievances continued to accumulate. Short-lived periods of political contestation or liberalization—such as the fragmented multiparty system of the 1920s, and the factionalized one-party socialist pluralism Tito reluctantly permitted in the second part of the 1960s—proved to be episodes of ethnic and political rivalry that did not offer the opportunity for the reconciliation of group animosities. Pre-Communist and Communist political elites in Belgrade, just as earlier rulers in Constantinople, Vienna, and Budapest, managed to constrain widespread ethnic conflict for long periods of time, but deep-seated ethnic resentments persisted, simmering beneath the façade of stability and cohesion.

Historically, the potential for ethnic- and religious-based violence in the Balkans has been most evident during periods of regime crisis and breakdown (for example, the last phase of Ottoman control leading to the Balkan Wars, the final throes of Hapsburg rule, and the collapse and dismemberment of the Yugoslav state in 1941). Discussing his native Bosnian society in the period just before World War I, the Nobel Prize-winning author Ivo Andric captured how seemingly tranquil group relations have exploded into an orgy of mutual blood-letting when the political system has broken down. In an illustrative case, Andric describes the "Sarajevo frenzy of hate" that erupted among Muslims, Roman Catholics, and Orthodox believers following the assassination on June 28, 1914, of Archduke Franz Ferdinand in Sarajevo:

> Adherents of the three main faiths. . .hate one another from birth to death, senselessly and profoundly. . . . [O]ften, they spent their entire lives without finding an opportunity to express that hatred in all its facets and horror; but whenever the established order of things is shaken by some important event, and reason and law are suspended for a few hours or days, then this mob or rather a section of it, finding at last an adequate motive, overflows into the town. . .and, like a flame which has sought and has at last found fuel, these long-kept hatreds and hidden desires for destruction and violence take over the town, lapping, sputtering, and swallowing everything, until some force larger than themselves suppresses them, or until they burn themselves out and tire of their own rage.[1]

An even more widespread frenzy of hatred among nationalities and religious groups during World War II resulted in the loss of approximately one-tenth of Yugoslavia's population. The wartime atrocities and political polarization bequeathed a pattern of emotional scars that were masked by the Communist system's promising slogans ("Brotherhood and Unity," "Equality of Nations"), pan-ethnic strategies, and political uniformity.

THE POLITICS OF INTRANSIGENCE

The important role played by tradition and other historical factors in the violent disintegration of Yugoslavia is closely linked to the country's recent political leadership. The future of the Yugoslav federation was profoundly affected during the late 1980s by the ascendance of nationalist political leaders devoted to the radical alteration or even dissolution of the state. Many of these nationalist leaders first appeared within the higher ranks of the ruling League of Yugoslav Communists (LCY), where their emergence was connected with the failure of Tito's heirs to find a way out of the country's serious economic and political crisis. Thus, as Yugoslavia's standard of living deteriorated sharply in the second half of the 1980s, quarrels among the country's regionally based and ethnically divided political elites intensified. Without the presence of a powerful figure such as Tito to maintain cohesion, regional leaders took advantage of the formally decentralized structure of both the LCY and the state in order to develop their own strategies for crisis management and reform.

In Serbia a relatively new figure on the political scene, Slobodan Milosevic, was able to quickly mobilize strong support in the second half of the 1980s by capitalizing on Serbian grievances regarding Albanian nationalism in the province of Kosovo, as well as Serbia's alleged lack of influence in the Yugoslav federation. As members of the nationality that had been the core force in the creation of the Yugoslav state in 1918, had been the predominant group in the wartime Communist movement, and also composed the largest ethnic group in the country, most Serbs believed their interests were inadequately recognized at the federal level.

[1] *Gospodjica* (Zagreb: Mladost, 1961), p. 77.

Through his brash articulation of Serbia's political discontent, and particularly his populist mobilization of Serbian ethnic consciousness at mass rallies—sometimes referred to as "street democracy"—Milosevic challenged the oligarchic Titoist style of managing the "national question" and also provoked a sharp nationalist backlash from Yugoslavia's other republics and ethnic groups. In Slovenia, for example, where popular support for enhanced regional and ethnic autonomy and opposition to the federal system had been growing for several years, reform Communists soon crossed swords with Milosevic on matters such as constitutional change, the reorganization of the LCY, and the problem of Kosovo. Citizens and leaders in Croatia and the other republics also watched the growing Serbian nationalism with trepidation, but until the disintegration of the LCY in early 1990 did little to advance their own ethnic or regional concerns.

As the aftershocks of the democratic earthquake that rocked eastern Europe in the fall of 1989 reached the Balkans, Yugoslavia's failed and fragmented Communist elites were forced to grudgingly embrace the concept of party pluralism. Unable to resolve the country's serious economic and political crises, or to even maintain the party's unity, Communist leaders could no longer defend the contradictory admixture of one-party monopoly and "self-management" that had been the hallmark of Yugoslav socialism. The result was the multiparty elections held throughout Yugoslavia's republics from April to December 1990 that marked a watershed in the country's political development. In several republics (Slovenia, Croatia, Bosnia, and Macedonia) the ruling Communists were defeated by non-Communist, center-right parties. In other areas (Serbia, Vojvodina, and Montenegro), former Communist elites and party organizations—reconfigured and sometimes newly labeled "socialist"—retained power, but were now forced to deal with a small but vocal parliamentary and extra-parliamentary non-Communist opposition. By the fall of 1990 over 200 political parties had been formed, the majority of which were small, regionally based organizations striving to advance specific ethnic interests.

Although the elections of 1990 were an impressive exercise in regime transition, the results left the country even more politically fragmented than it had been during the last days of Communist rule. Thus, whether born-again Communists or non-Communists, both the newly elected political authorities and the bulk of the opposition forces in all regions of Yugoslavia were committed to programs of regional and ethnic nationalism that seriously challenged the power of the federal system. Yugoslavia's prime minister, Ante Markovic, attempted to reorient the government's policy along post-Communist lines and carry out countrywide economic reforms, but his ability to implement these measures was persistently stymied by the policies of contending ethnic and regional groups. Moreover, the fact that the most influential republics (Serbia, Croatia, and Slovenia) were now governed by popularly elected political leaders devoted to sharply conflicting visions of the country's future constitutional organization, also undermined Markovic's efforts to introduce any long-term reforms.

> **"There is a tradition of oral aggression in the Balkans. Someone will say 'I'm going to kill him. I am going to kill him.' But then they will add 'please stop me before I kill him'. . . . If the killing starts nobody will be able to stop it."**
>
> **Slaven Letica, Adviser to the President of Croatia**
> **March 26, 1991**

In Croatia, for example, the new government led by Franjo Tudjman's Croatian Democratic Alliance supported—along with the new post-Communist government in Slovenia—the transformation of the existing Yugoslav federation into a "confederation of sovereign states." Leaders in both republics said they were prepared to unilaterally "disassociate" from the Yugoslav federal structure should planned negotiations in 1991 among the republican leaders on the country's future prove unsuccessful. In Serbia, Milosevic, who had finally consolidated his power in a competitive (albeit not fully democratic) election, remained strongly committed to what he termed a "modern federation," that is, an arrangement in which the country's dispersed Serbian population would remain united in a single state and would enjoy enhanced political influence. Milosevic's views on constitutional questions, and particularly his opposition to the idea of a confederation, were shared by the large Serbian contingent in the country's military establishment, as well as by top "Yugoslav-oriented" officers from other ethnic groups who—either because of their Communist political backgrounds or professional self-interests—strongly objected to proposals by new non-Communist elites advocating military depoliticization, cuts in the armed forces, and a further devolution of political power.

THE ANSWER TO THE "SERBIAN QUESTION"

It did not take long for the various positions concerning the constitutional transformation of the country to become entangled with the emotionally charged "Serbian question"—disputes concerning the rights and status of the 25 percent of Yugoslavia's Serbs living outside the Serbian republic. The majority of these dispersed Serbs—who were concentrated in Bosnia and in Croatia, where they had suffered greatly at the hands of the Croatian fascist regime during World War II—feared proposals by the newly elected nationalist government in Croatia to divide the country

into separate states, and also its suggestions that Croatia and Bosnia become more closely associated. Angst among Croatia's Serbs intensified when the Tudjman regime adopted new constitutional provisions in 1990 that referred to the republic as the sovereign state of the Croats and other nations living in Croatia, but no longer explicitly recognized the republic's Serbian community (12.2 percent of Croatia's population in 1991) as a major ethnic group. The constitutional provisions also designated the use of traditional Croatian ethnic symbols (a coat of arms, flag, and national anthem) as the republic's official insignia.

While the new symbolism was offensive to many of Croatia's Serbs, their deeper fear was that Tudjman planned to sever Croatia from the Yugoslav state—either by creating a loose confederation or by outright secession—which would leave the Serbs at the political mercy of a Croatian majority and nationalist government. The anxiety of the Serb minority was particularly intense in the Krajina area, where it constituted a majority of the population. Statements by Croatian authorities that minority rights in the republic would be respected were deeply mistrusted in the Serb community, and were at odds with the nationalist and anti-Serb rhetoric frequently adopted by President Tudjman and certain quarters of his party's leadership. Serbian anxiety was also fueled by the steady and sensational campaign of anti-Croatian propaganda emanating from Serb nationalists in Belgrade.

For the Milosevic regime—obsessed with the idea of preserving the federal state and enhancing Serbian influence—support for the "unity" of the Serbs and particularly the protection of the large Serb communities in Croatia and Bosnia, was a crucial bargaining chip in discussions about Yugoslavia's future. Thus, Milosevic claimed that he did not oppose the self-determination of Yugoslavia's nations, or even legal secession by the republics, as long as those rights did not infringe on the equal right of Serbs in a particular republic to exercise self-determination. Accordingly, Milosevic maintained, if a majority of citizens in Croatia or Bosnia, for example, desired their independence from the Yugoslav state, the borders of those republics must be changed in order to protect the interests of local Serb inhabitants.

Driven by his broader goal of assuring Yugoslav unity under Serbian influence, Milosevic encouraged the country's diasporic Serb communities to push for self-determination while still carefully withholding Serbia's full recognition of their political autonomy or acceptance of their plans to become part of the Serbian republic. By keeping the Serbian question on the front burner and opening the issue of border changes, Milosevic and his allies in the Yugoslav People's Army (JNA) hoped they could prevent Croatia's Tudjman—and also the closely allied Croat and Muslim leaders of Bosnia—from making any hasty decisions about leaving the Yugoslav federation. Moreover, should negotiations collapse, Milosevic calculated that the Serbian question could serve as a pretext for federally sponsored armed intervention that would forestall either Croatia's or Bosnia's secession. The tactic of directing attention to the dispersed Serbs in Yugoslavia also suited Milosevic's domestic agenda: by turning a spotlight on the alleged plight of the Serbs, Milosevic hoped to deflect attention from his socialist regime's authoritarian cast and also to appeal for political unity and support against the Serbs' putative internal and external enemies.

For Tudjman, if there was any real Serbian question at all worth considering, it was essentially whether the Serbs in Croatia—and particularly the roughly one-quarter of that group living in the Krajina—would acknowledge the republic's sovereignty, or whether Croatia's authorities would have to take stronger measures to maintain law and order. Claiming that from August 1990 to March 1991 his government had refrained from using force against the armed Krajina Serbs who had blocked roads, seized control of local facilities, and established autonomous enclaves, an exasperated Tudjman threatened on April 4 that Croatia would no longer accept such behavior: "We have played democracy for long enough and it is high time to say that Croatia is a republic and that it has a right to establish order."

As talks among the leaders of the republics on Yugoslavia's future proceeded between January and June 1991, the Serbian question became a major impediment to any compromise between the advocates of federalism or confederalism. Progress was also obstructed by the inability of most republic leaders to move from fixed positions or retreat from maximum goals.

This intransigence created a vicious cycle of escalating tension and an inevitable drift toward disintegration and violence. Increasingly pessimistic that they could negotiate the creation of a confederation, and fearing they might have to fight their way out of the existing federation, the leaders of Slovenia and Croatia began to expand their own armed forces (including importing arms, which was technically illegal under federal laws). Meanwhile, the leaders of Serbia and their allies in the JNA, unwilling to compromise on their goal of preserving Yugoslavia as an only slightly remodeled federation, exerted unrelenting pressure on the new governments in Ljubljana and Zagreb to abandon their plans for sovereignty and to disband their budding armies.

Disputes concerning the question of imported arms and the buildup of military forces by the republics cast a shadow over the interrepublic summit meetings during the first half of 1991, with Slovenia and Croatia calling for the depoliticization of the JNA, and the JNA working both overtly and covertly to undermine the position of the non-Communist nationalist leaders in

Zagreb and Ljubljana. For their part, Croatian authorities were particularly enraged over growing cooperation between federal military forces and local Serb militias, a relationship that had developed after JNA units had intervened in Croatian communities in which there had been outbursts of Serb-Croat violence.

When Serbia, together with its two provinces and Montenegro, connived in mid-May 1991 to block the planned rotation of the collective presidency's Croatian representative to the annual post of state president, Croatia became even more determined to leave the Yugoslav federation. Slovenia's problems with the JNA—which had focused on who would control the republic's Territorial Defense forces (a local militia established by the Tito regime in the late 1960s) and had led to several face-offs in 1991—also propelled that republic's nationalist leadership into a more intransigent position.

While most of the country's major civilian and military leaders recognized the danger of violence if they failed to reach agreement, they proved woefully inept in finding a way out of the looming disaster. The posturing on the seemingly intractable federation-confederation dispute, saber rattling by all sides, and leadership mishandling or outright manipulation of the explosive Serbian question hastened the destruction of an already fragile country. An awkward last-ditch Bosnian-Macedonian proposal, designed as a compromise between the contending federal and confederal options, was given short shrift by the negotiating parties and did nothing to halt Yugoslavia's slide toward disintegration. In late June, when Slovenia and Croatia finally made good on their frequent threats to unilaterally declare independence, the JNA responded with force and the country entered a new phase of military struggle and civil strife.

THE INTERNATIONALIZATION OF THE CRISIS

The first armed conflict precipitated by the dissolution of the Yugoslav federation was a ten-day war in mid-1991 in which Slovenian forces defeated units of the JNA. That war was followed by more protracted hostilities, first in Croatia and then in Bosnia, involving remnants of the JNA, military and police units under the command of those states's new political authorities; as well as armed groups linked to various local ethnic communities (Serbs versus Croats in Croatia and Serbs versus Croats and Muslims in Bosnia). The military struggles in Croatia and Bosnia triggered the eruption of ethnic violence on a scale not seen in those regions since World War II. By the summer of 1992—after thousands of people had been killed and injured and more than 2.5 million people had been forced to flee their homes—the international community had become actively engaged in a frustrating effort to dampen hostilities, provide humanitarian relief, and negotiate a long-term political settlement among the region's new states.

The violent dismemberment of Yugoslavia occurred just as the cold war ended, but before new mechanisms for conflict management had been established to deal with a crisis of this proportion. As a result, the international response to the Yugoslav breakup has been incoherent and hastily contrived. For example, the European Community (EC) and the United States in June 1991 sent signals encouraging Yugoslavia's unity and strongly discouraging Slovenia's and Croatia's planned unilateral disassociation from the existing federation for fear it might set a dangerous precedent for the Soviet Union, which probably encouraged the Yugoslav federal government and the JNA to employ force against the two breakaway republics. While Secretary of State James Baker 3d may have evenhandedly expressed American opposition to secession by the republics and the use of armed force to settle political disputes during a visit to Belgrade on June 21, the JNA top command apparently chose to view Washington's emphatic support for Yugoslavia's cohesion as a green light for military intervention should secession occur.

Shortly after hostilities began in Slovenia, the EC successfully negotiated a cease-fire and an agreement that provided for a three-month moratorium on further moves toward independence by Croatia and Slovenia. The agreement also included EC-sponsored negotiations among the republics about their future, and an understanding that Stipe Mesic, the Croatian representative in the collective state presidency, would finally assume his post as state president.

However, when JNA forces subsequently retreated from Slovenia into Croatia a short time later, the EC, lacking its own joint military forces and internally divided about the best method for handling the crisis, proved helpless to prevent an escalation of the conflict. Divisions in the 12-member Community—a newly assertive Germany, for example, strongly advocated the immediate recognition of Croatia and Slovenia and expanded EC involvement, while Britain and France urged a more cautious policy and further negotiations among the former Yugoslav republics—sent mixed signals to the warring parties, who exploited the international disagreements to pursue their respective agendas. Other multilateral organizations also initially failed to manage the Yugoslav crisis. NATO rules said the crisis was an "out of area conflict"; the Conference on Security and Cooperation on Europe (CSCE) was untested, lacked military forces, and could take action only by consensus; while the Western European Union (WEU), perceived as a kind of EC security arm, had never undertaken a major venture.

As the war in Croatia intensified in late 1991, the Zagreb government pleaded for international intervention in the crisis, viewing the deployment of foreign troops in Croatia as the best chance for reasserting sovereignty in its war-torn multiethnic regions. For their part, the Serbian government, the JNA, and local

Serb militias regarded the EC's immobility as a positive, providing their forces with an opportunity to crush Croatian independence or, at a minimum, expand the territory under Serb control.

As the international community floundered in its attempts to resolve the crisis, over a dozen EC negotiated cease-fire agreements collapsed in rapid succession. Meanwhile, EC-hosted negotiations at The Hague and later in Brussels concerning Yugoslavia's future also failed to devise a peaceful model of disassociation and cooperation among the parties. By early December, Croatia's Mesic, who had formally abandoned his post as Yugoslavia's last president, announced to the Croatian Assembly: "I have fulfilled my duty—Yugoslavia no longer exists."

THE NEW BALKAN STATES

In January 1992, as the fighting continued, Germany decided to recognize the independence of Slovenia and Croatia, thereby prodding the EC and its member states to follow suit.

Having proved unsuccessful at peacemaking and peacekeeping, the EC turned its latter mission over to the United Nations, which previously had remained on the sidelines because of its own divisions about the propriety of intervening in a sovereign state's internal disputes. Exhausted by the war, having already seized considerable territory in Croatia, but now faced with the prospect of UN intervention and European support for the Zagreb government, Serbia and JNA leaders finally committed themselves to a cease-fire agreement that was negotiated by special UN envoy Cyrus Vance.

Leaders of the militant Serb community in the Krajina felt betrayed by the Belgrade government's decision to end hostilities and submit to the deployment of international troops in their region, but Milosevic rationalized his action by pointing to provisions of the agreement stipulating that Serb enclaves in Croatia would remain outside the direct control of Zagreb authorities. Milosevic and the remnants of the federal army had no intention of abandoning their efforts to settle the Serbian question on their own terms. For the moment, the venue of warfare would simply be transferred from Croatia to Bosnia.

WAR COMES TO BOSNIA

Bosnia, with its complicated mosaic of ethnic and religious communities, had long been recognized as the Balkan's most explosive powderkeg (in 1991 its population was 43.7 percent Muslim, 31.4 percent Serb, 17.3 percent Croat, and 5.5 percent Yugoslav—that is, those who did not consider themselves a member of any ethnic group). When, following a referendum held at the end of February 1992 in which Muslims and Croats voted overwhelmingly for Bosnia's independence (a vote in which the republic's Serbs abstained), Serb officials, working in close association with locally based JNA forces, proceeded to prepare for hostilities. Mistakenly believing that recognition of Slovenia and Croatia by the EC and UN in January had been the principal factor dampening hostilities in those republics, and still chafing from earlier criticism about its initial commitment to Yugoslav unity in mid-1991, the United States recognized in April the independence of Bosnia and Herzegovina along with that of Croatia and Slovenia.

Ironically, while criticism of Washington's overly cautious policy on secession in 1991 was warranted, the unique circumstances in Bosnia actually justified a prudent approach. The United States expectation that diplomatic recognition of Bosnia would calm matters seriously underestimated the history of ethnic and religious violence in that republic, the claims to the region by Serbs and Croats, and the tenuous authority of Alija Izetbegovic's Bosnian government. The fact that Bosnia's various ethnic and religious groups had coexisted during the authoritarian Tito era, and that

most inhabitants of the republic deplored ethnic rivalry, did not detract from the intense latent hatred and psychological distance existing among the various groups. Assessments of ethnic relations in Bosnia based on the cheerful atmosphere observed in Sarajevo during the 1984 Winter Olympic games, or other glib claims that the area had been an oasis of harmony for 500 years, seriously misjudged the real situation.

Faced with the growing possibility that the largest Serb community outside Serbia would become formally separated from it, the Belgrade government, Serbs in Bosnia, and JNA forces in the area decided to use whatever force necessary in order to forestall such an event. The war that ensued in Bosnia has led to even more casualties than the previous struggle in Croatia. Terrified at the prospect of being once again dominated by a Croatian-Muslim alliance strongly supported by Germany, Serb forces attempted to alter the demographic structure of the republic by brutally employing their superior military strength to forcibly oust Croat and Muslim inhabitants from Serb controlled territory—the notorious and internationally condemned policy of "ethnic cleansing." Croat and Muslim paramilitary forces often defended and advanced their own interests with equal brutality, re-creating an all too familiar pattern of violence and atrocities against civilians.

Angered by Belgrade's apparent role in the aggressive Serb onslaught against Croats and Muslims in Bosnia, the UN and EC imposed harsh economic sanctions against Serbia in May 1992. However, as unrelenting violence with tragic consequences for the civilian population continued throughout the summer and into this fall, the absence of an established international security force and political differences among members of the international community on how to resolve the crisis hampered peacekeeping efforts. Except for a small number of officers already posted in Sarajevo (as headquarters staff for the peacekeeping forces in Croatia), UN forces were not deployed in Bosnia until hostilities were well under way, and then only a small force was used to open the airport in Sarajevo.

Although NATO and the WEU altered their constitutions so they could provide military assistance to nonmilitary multilateral organizations (leading to the July deployment of Western naval forces in the Adriatic Sea to assist in the implementation of sanctions against Serbia), most leading members of the international community were extremely reluctant to become deeply enmeshed in what had become an exceptionally complex and bloody struggle. By July a dispute had even emerged between the UN's Security Council and UN Secretary General Boutros Boutros-Ghali about whether further resources should be expended on the Yugoslav case when so many other international conflicts and humanitarian crises deserved attention. As the violent consequences of Yugoslavia's disintegration continue unabated in Bosnia and threatens to spill over into other regions of the former federation (the predominantly ethnic Albanian province of Kosovo, which has been under Belgrade's tight control for several years, is the next most likely flashpoint), the international community continues its clumsy, albeit well-meaning, improvisation of a new "security architecture" for the post–cold war period.

In late August 1992, at a meeting in London sponsored by the UN and the EC, the belligerents and foreign states created a permanent conference in Geneva to deal with the Balkan crisis, but agreements reached to end the fighting were not implemented. The UN subsequently expelled the new Serbo-Montenegrin Yugoslavia, authorized sending additional troops to Bosnia, and created a War Crimes Commission in September to investigate atrocities, but hostilities and "ethnic cleansing" continued. As winter approached, it was feared that the trickle of humanitarian aid reaching Bosnia would be insufficient to avoid a heavy loss of civilian life.

BALKAN COOPERATION AFTER YUGOSLAVIA?

Developing a coordinated and consistent international response to Yugoslavia's collapse presents a major challenge as the fierce fighting and carnage continue. Apart from the immediate problem of containing the blood-letting, other significant issues also need to be addressed before there can be any long-term resolution of the crisis. In view of the decisive role played by Balkan political leaders in generating the present difficulties—especially the major actors from the two largest ethnic communities, Slobodan Milosevic and Franjo Tudjman—the question naturally arises whether political forces in Serbia and Croatia will be able to find new leaders who can transcend the politics of intransigence and find solutions to the serious problems faced by the region. For different reasons, Milosevic and Tudjman have been politically weakened by the war, and opposition forces in both their republics have been growing in strength, but neither leader appears ready to leave the scene.

Looking beyond the current warfare and disruption, it also remains unclear whether the various successor states to Yugoslavia can successfully resuscitate the extensive economic linkages that previously existed among the republics and regions. The imperatives of economic survival and geography suggest that such cooperation will eventually resume, even after the most recent episodes of violence. Determining how to do this will require considerable time and commitment, and will also require a change of political leadership. Thus, until the current frenzy of hate either subsides or is extinguished, and until a broader solution is found for resolving the conflict in Bosnia—possibly a radical decentralization of the region into three ethnic territorial enclaves, each closely associated with its preferred neighboring state—the violent aftermath of Yugoslavia's disintegration seems destined to continue. ■

Czechoslovakia's surprisingly peaceful exit from communism has been followed by impressive progress toward democratic institutions and the market. But the nationalism rampant in a Europe freed from the cold war has infected the country, and its breakup into two states seems all but certain.

Czechoslovakia's Velvet Divorce

BY MILAN SVEC

No one was better aware of the enormous political and economic problems Czechoslovakia and eastern Europe would face after communism than the best and the brightest among dissidents turned post-Communist leaders in Czechoslovakia. The most popular among them, the playwright Vaclav Havel, became an instant hero at the time of the country's "Velvet Revolution" in 1989 and went on to become the country's first post-Communist president.

The replacement of Moscow's puppet, Gustav Husak, by Havel was an undoubted triumph for justice, freedom, and honesty. But Havel, who was first installed as president by the outgoing Communist parliament and did not run for the presidency in nationwide popular elections, found his influence limited. In fact, his election to the post by the Communists proved to be a crucial weakness when squabbles between Czech and Slovak politicians over a new constitutional setup for the country began to dominate the political scene.

In the euphoria induced by the Communists' fall, it was equally easy to overlook the potential weakness of new political movements and parties. The victory of the leaders of the Velvet Revolution in the first truly democratic post-Communist elections for the Federal Assembly in June 1990 was complete indeed. People flocked to the polls in astonishingly high numbers: turnout was 96 percent of registered voters. Civic Forum and Public Against Violence, both dissident-led anti-Communist movements—the former from the Czech and the latter from the Slovak republic—emerged as the clear winners. Together they won 168 seats of the 300 in the Federal Assembly. The Communist party of Czechoslovakia placed second, but captured only 47 seats. The third-best performer was the Christian Democratic Union/Christian Democratic party, which gained 40 seats.

The convincing win gave the new leaders a mandate to introduce radical changes that would move the country toward democracy and a free market—but what kind of democracy and market? All the non-Communist parties had based their campaigns on promises to dismantle the country's politically oppressive and economically ineffective system; not much was said about what exactly they wanted to accomplish, and at what price. Both Civic Forum and Public Against Violence were broad coalitions of forces with a clear anti-Communist stance but with very different outlooks. What united them and had won them the election was their leading role in the revolution. But this glue began to disintegrate soon after the victory, with leaders of various persuasions wanting to take the country's politics and economy in different directions. It could not have been otherwise, especially since the electorate was equally divided.

Taking all this into consideration, Havel's government turned out to be quite daring and resourceful. In fact, it went much faster and further than anyone could have predicted.

RE-FORMED BY LAW

Early in 1990 a large number of new laws were passed by the newly elected Federal Assembly. The main goal of all this legislative activity was to exchange the totalitarian system for a democratic one and to establish the comprehensive rule of law. Under the new laws, the power of the state to impose its will on the people is defined in a completely new way and is clearly limited. Of course, much of the post-Communist legislation was adopted in haste or was soon out of touch with reality, but that could not be avoided in a time of rapid change.

Last January the Federal Assembly passed a landmark Bill of Fundamental Rights and Liberties. It acts as an amendment to the constitution and clearly describes fundamental civic and political rights under which all citizens are equal and free. It also stipulates

---

MILAN SVEC *is a visiting professor at the United States Army Russian Institute in Garmisch Partenkirchen, Germany. He was deputy chief of the Czechoslovak embassy in Washington, D. C. from 1982 to 1985, and was granted political asylum in the United States in 1985.*

that international agreements on human rights that have been ratified by Czechoslovakia take precedence over Czechoslovak laws. No other law may contradict the Bill of Fundamental Rights.

The feature of the Communist system most responsible for its total lack of justice was subordination of the state—including the judiciary apparatus—to the party. Last February the Federal Assembly took an important step toward the creation of a genuine system of checks and balances of power when it established the Constitutional Court, whose role is to interpret laws and to ensure that they are in accordance with the constitution.

Laws—some of them passed as early as 1990—regulating the privatization of state-owned property and the transition from a centralized economy to a free market are equally bold. Prohibited under communism from establishing private businesses, citizens may now do so. Moreover, about 100,000 state-owned small businesses were auctioned off in a so-called "small privatization." In early 1991 the Federal Assembly approved legislation designed to ensure the return of property confiscated by the Communists to its lawful owners. It also passed a law setting a timetable for the privatization of 3,000 large state-owned enterprises.

PREPARING FOR SHOCK THERAPY

In September 1990 the federal government unveiled its "Scenario for Economic Reform." The proposed program, which closely resembled Poland's economic shock therapy plan, set off a prolonged debate inside and outside the government. The minister of finance at the time, Vaclav Klaus, was the plan's main backer. Opponents led by then deputy prime minister Vaclav Komarek warned that the depth and speed of the program's reforms would have unsettling economic and social consequences; they advocated instead more state intervention. Havel hesitated some time before deciding to throw his support behind the more radical group.

In January 1991 the government instituted profound changes in the economy, thus embarking on a daring enterprise. When shock therapy was introduced in Poland, the country was beset by skyrocketing inflation and bulging foreign debt and there was near-universal readiness to try any remedy that might work. But in Czechoslovakia both inflation and external debt were under control, and the population was unprepared for the sacrifices the treatment would exact.

In the initial phase of the program the government liberalized prices, subjected wages and the budget to tight controls, and made the crown, the country's currency, internally convertible, which allowed businesses to buy foreign currency at the official exchange rate. Meanwhile, through gradual tax reform, it began reshaping the economic environment in which enterprises operated. Under Communist rule, for example, taxes on firms had been as high as 75 percent. This had enabled the state not only to milk successful enterprises but to manipulate the entire economy. As part of the reforms, the corporate tax rate was reduced last January to 55 percent. In January 1993, when the income tax law adopted by parliament this April comes into force, the corporate tax rate will drop to 45 percent.

Control of inflation—one of the key elements in the Scenario for Economic Reform—could be achieved only by tight budgetary policy. With this in mind, the government planned an 8-billion-crown (approximately $267-million) budgetary surplus for 1991. By the end of last summer the budget looked to be in good shape indeed, with the surplus running almost double the amount anticipated for the entire year.

Some negative factors, however, began to emerge. Liberalizing prices led to a surge in prices that, while bringing higher revenues for enterprises and far more in tax receipts for the state, also depleted consumer savings and gradually slowed demand. This resulted in lower profitability for firms. Acting under the pressure of changing realities the government relaxed its shock therapy, but paid the price of registering a deficit at the end of the year.

Thus the initial result of the therapy was shock, as predicted. Consumer prices rose 26 percent in January 1991 and 58 percent for the year. Also during 1991, personal consumption fell 28 percent, industrial production 23 percent, investment 35 percent, and real wages 24 percent; imports and exports fell 20 percent and almost 8 percent respectively. Meanwhile, unemployment reached 6 percent.

In all fairness to the reformers, it must be pointed out that they were radically redesigning Czechoslovakia's economy at a time when external conditions were changing even more rapidly. In January 1991—the month that saw the beginning of the first phase of economic reforms in Czechoslovakia—the Council of Mutual Economic Assistance (CMEA) member states switched to hard currency accounting. The idea of abruptly making trade among CMEA member states only for hard currency seemed to many on all sides to have great merit but was particularly attractive to Moscow. Unlike other Communist countries whose exports were generally of poor quality and would have trouble finding alternative markets in the West, the Soviet Union, so its leaders thought, could easily divert raw materials to Western markets or demand world market prices for them from its former allies. As it turned out, though, with oil production in disarray Moscow failed to earn enough hard cash to pay for its imports.

Because the Soviet Union was easily its largest trading partner, Czechoslovakia was especially hard hit when Eastern European trade with the Soviets practi-

cally collapsed. In the first quarter of 1991, Czechoslovak exports to the Soviet Union fell 80 percent. By some estimates, the collapse of the CMEA market is responsible for some 40 percent to 50 percent of the decline in industrial production in Czechoslovakia. Some of these losses were compensated for by increases in Czechoslovak exports to Organization for Economic Cooperation and Development countries (5 percent) and the EC (9 percent). Czechoslovakia, however—unlike Poland and Hungary, which had embarked on economic reforms and joint ventures with Western companies two decades earlier—had very limited experience with Western markets and marketing. A $500-million gain in earnings in hard currency markets was outweighed by a $2.5-billion decline in Czechoslovakia's trade within the CMEA. Many of the country's 8,000 large enterprises woke up to the possibility that they could face bankruptcy.

Producers of heavy arms suffered most, and were least prepared to remedy their losses. In the 1980s Czechoslovakia was, per capita, the world's largest arms exporter. The industry employed about 73,000 people and earned some $1 billion annually. When the cold war ended, this tremendous asset became an immense liability. And converting weapons plants to civilian production requires huge amounts of capital and supreme managerial skills, both of which are in scarce supply in Czechoslovakia right now.

Increasing the amount of barter trade between Czechoslovak companies and those from the new Commonwealth of Independent States (CIS) offered one way out of this situation. Meanwhile, an agreement of association between Czechoslovakia and the EC signed last December brought Czechoslovakia closer to Western markets. In the agreement, the signatories pledge to practice free trade and also set a timetable for the easing and eventual removal of existing EC trade barriers to Czechoslovak goods. This should facilitate acceleration of Czechoslovak exports, although duties on "sensitive products" will remain in place for some years: reduction of duties on agricultural products, for example, will begin only in 1995, and duties on coal will be removed in 1995 and those on textiles in 1998. The agreement explicitly states that the ultimate goal of this process is Czechoslovakia's admission into the EC, but that day is still far off.

Accelerating Privatization

Well aware of the serious problems with the economy, the government decided to move quickly on large-scale privatization. Last June managers of some 3,000 large state-owned companies were directed to prepare plans for privatization that would then be sent to the Ministry for Privatization. Since speedy privatization of the economy demanded that a combination of different methods be employed, managers could choose, the government said, among public auction, direct selling of shares to investors at home or abroad, or participation in the voucher system.

Vouchers—in essence securities issued by the federal Ministry of Finance, available to citizens 18 years and older at a cost of 1,000 crowns (about $33)—can be exchanged for shares in companies or entrusted to investment funds to manage. They are supposed to make privatization more transparent, fair, and acceptable to the public—and, the government hopes, faster. They also serve as an alternative to a massive sellout of enterprises to foreigners. By the end of February 1992, the deadline for the first phase of voucher privatization, 8.5 million eligible people had bought vouchers. If all goes in accordance with the plan, by the end of 1993 most of the economy will be privately owned.

Privatization carries enormous risks. The voucher scheme, for example, will spread ownership of enterprises so thin that it is difficult to imagine how the new owners will exert effective pressure on a firm's managers. Neither does this untested concept answer questions about additional investments if such are needed nor create the preconditions for necessary structural changes in outdated enterprises. It is also quite possible that enterprises beyond economic salvation will play the voucher game. If many of these collapse, the reaction from angry citizens could derail the whole privatization process. Furthermore, in most cases several competing schemes were submitted by the 3,000 enterprises told to come up with privatization plans, and there simply was no time for the ministries in charge to study them properly. It is clear that its sheer speed leaves privatization in Czechoslovakia open to profound mistakes, as well as to outright deceit. This might keep legions of investigators busy for years to come, with destabilizing effect on national politics and the economy.

Slovak Discontents

One issue that has already had a destabilizing effect on the country has been a changing relationship between the Czech and Slovak republics. That problems would emerge on this issue became clear last February, when Havel called the first round of talks between the two republics and the federal government. To the great surprise of Czech and federal leaders, Slovak representatives from the Christian Democratic Movement argued that the best form of a relationship between Slovakia in the east and the Czech lands of Bohemia and Moravia in the western half of the country would be confederation. This proposal was defeated, so the Christian Democrats suggested in April 1991 that a federal constitution be adopted only after the signing of a state treaty between the two republics. Amid growing disagreements over the future setup, the Federal Assembly approved a law that allowed for a referendum on the question nationwide or in one of the republics.

Faced by public opinion polls suggesting that a large majority of both Czechs and Slovaks favored retaining a common state, Slovak politicians opposed the holding of a referendum on the matter. Last September they demanded instead that the Slovak National Assembly in Bratislava adopt a Declaration of Slovak Sovereignty and a Slovak constitution that would not be based on a federal constitution. Twice that month the Slovak National Assembly declined to vote on the proposal, and it did so yet again in December. Havel tried in November to break the impasse by proposing important constitutional changes that would have enabled him to call early elections, hold a referendum, and dismiss the Federal Assembly. But Slovak politicians, joined by some Czech members of the Federal Assembly, blocked the initiative.

While the beginning of discord between Czech and Slovak politicians can be explained largely by nationalist sentiment among the latter, it was the growing disparity between the Czech and Slovak economies that gradually became a significant cause of tension. Saddled with most of the country's arms factories and other heavy industry, the Slovak economy suffered much more from the end of the cold war and the collapse of communism than the Czech economy. Unemployment in Slovakia gradually climbed to around 12 percent, while in the Czech republic it stood at about 4 percent. Last November trade unions in Slovakia organized a one-hour warning strike to protest against the federal government's economic policy. Ever more obviously, support was growing in Slovakia for a slowdown of economic reform, while public opinion in the Czech portion of the country signaled much greater tolerance for radical change.

Results of a nationwide poll conducted in Czechoslovakia last October and November and published by the United States Information Agency in a February 3, 1992, research memorandum confirmed this. Overall, only three in ten respondents voiced satisfaction with economic reform, while 66 percent were not satisfied. However, 37 percent of Czechs declared themselves satisfied, versus only 17 percent of Slovaks. Among Slovaks, 64 percent wanted gradual economic reform; 52 percent of Czechs came out in favor of radical reform.

Worsening economic pains and growing strains between Czech and Slovak politicians began to undermine the pillars of post-Communist politics in the country, Civic Forum and Public Against Violence. Civic Forum disintegrated in February 1991. Originally it split into the Civic Democratic party led by Finance Minister Vaclav Klaus and the Civic Movement led by Foreign Minister Jiri Dienstbier. Later the Civic Democratic Alliance, composed mainly of intellectuals, emerged from the process. Public Against Violence was even harder hit. Last March a new organization, the Movement for a Democratic Slovakia, led by the former prime minister of Slovakia, Vladimir Meciar, broke away from it and quickly became by far the most popular political force in the Slovak republic. The Communist party of Czechoslovakia was transformed as well: the Czech contingent remained conservative and unrepentant but the Slovak branch split off and founded the reformist Party of the Democratic Left.

Other parties and movements experienced a similar fate, resulting in the slow fragmentation of political forces in Czechoslovakia. The situation in the Federal Assembly was fundamentally altered. After the 1990 elections 6 parties were represented in the assembly, and Civic Forum and Public Against Violence together held 168 of the 300 seats. Before the elections this June, there were 15 parties in the assembly—the change having taken place without any public participation whatsoever. Largest among these groups in the national legislature were the Civic Democratic party with 43 seats and Civic Movement with 41 seats.

Fragmentation of political power not only made it increasingly difficult to govern the country; it also made political clashes much more antagonistic. One of the most visible signs of this was a law on the screening of government officials and top managers in state-owned enterprises adopted in October 1991, which required former secret service collaborators and top Communist party functionaries to be dismissed from their jobs. The Constitutional Court was asked to rule on this extremely controversial law's constitutionality. The decision has not yet been handed down.

THE POWER STRUGGLE CRYSTALIZES

In January 1992 the Federal Assembly adopted an electoral law that set the stage for elections that were held on June 5 and 6 this year. Havel originally proposed dividing the country into small electoral districts whose voters would cast votes for individual candidates rather than parties. Opponents argued that such a system would favor individual candidates of the former Civic Forum because of their high name recognition. They demanded that elections be based instead on competition between political parties and on proportional representation. The opposition won the day.

The biggest surprise in the elections was the astonishing failure of the Civic Movement in the Czech republic and its counterpart in Slovakia, the Civic Democratic Union, to garner enough votes to win representation in the national or federal legislatures. The voters effectively shut out most of the personalities associated with the 1989 revolution. Only about 17 percent of the members of the Federal Assembly were reelected. By far the biggest vote-getter in the Czech lands turned out to be the conservative Civic Democratic party of former Finance Minister Klaus, which won 29.7 percent of the vote for the Czech republic's legislative body, the Czech National Council. It was

followed by Left Bloc (the former Communist party), which captured 14 percent of the vote. The remainder of the six parties represented in the Czech National Council received less than 7 percent each. Since Klaus's party is considered to be in favor of a speedy transition to the free market its victory can be read as a vote for radical economic change.

The situation in Slovakia is radically different. The overwhelming winner in the republic turned out to be the nationalistic and leftist Movement for a Democratic Slovakia led by Meciar, which captured 37.3 percent of the vote for the Slovak National Council. The movement ran on promises to slow down painful reforms in Slovakia and to keep the government heavily involved in the economy. Meciar has also advocated much greater independence for Slovakia, although he has stopped short of openly demanding the breakup of the country. The Party of the Democratic Left (the reformed Communists) came in second in the elections, with 14.7 percent of the vote. The other three parties to be represented on the Slovak National Council received less than 9 percent of the vote each. A big surprise was the poor showing of the Christian Democratic party in heavily Catholic Slovakia, where it received only 8.9 percent of the vote.

It was clear that the winners in the Czech lands had very different political roots from the winners in Slovakia. Thus the elections were bound to accelerate centrifugal tendencies in the country. And indeed, the heads of both of the winning parties, Klaus and Meciar, gave preference to becoming prime minister in their republic rather than seeking a post in the federal government.

CAN THE SPLIT BE STOPPED?

The eventual dissolution of Czechoslovakia seemed increasingly inevitable. On June 20, in negotiations on the future status of the country, Klaus and Meciar agreed to form a substantially reduced federal government: instead of 16 ministers, there are now 10. On July 3 the Federal Assembly failed twice in a row to reelect Vaclav Havel president of the country.

Events have increasingly been acquiring their own momentum. On July 17 the Slovak National Council adopted a declaration of sovereignty for Slovakia. While it was painstakingly pointed out by top Slovak leaders that the document was not a declaration of independence but a symbolic move, this action poured new fuel on the burning emotions of both sides. On July 20 the most powerful symbol of a united Czechoslovakia, President Vaclav Havel, resigned.

On July 23 Klaus and Meciar agreed that, among other things, the National Councils would propose to the Federal Assembly a draft constitutional law that would divide Czechoslovakia into two separate states. But they failed to settle many important questions—including, for example, the future of the Czechoslovak currency.

A number of ways of breaking the country up into two states have been under discussion. Because of their parties' strength in the Federal Assembly, Klaus and Meciar could block any constitutional settlement at that level if they disliked it. They could also block a referendum on the subject. It is, therefore, quite possible that the final decision will be taken by both National Councils.

On September 1, 1992, the Slovak National Council adopted a constitution for the Slovak republic. It seems virtually certain that on January 1, 1993, two new sovereign states—a Czech republic and a Slovak republic—will come into existence.

It is perfectly clear that even in the best of circumstances the dissolution of the country will be painful for both new states. But because the Slovak economy is less developed than the Czech economy, the former is bound to suffer more. The two economies are, however, in many ways much more independent than is commonly realized. About 11 percent of the goods produced in Bohemia and Moravia are exported to Slovakia and only approximately 27 percent of Slovakian products travel in the opposite direction.

This does not mean that the division of Czechoslovakia will be easy to arrange. On the contrary. Complicated discussions on this subject in the Federal Assembly at the time of this writing suggest that, while the process will likely remain peaceful, many of its technical aspects will keep both sides occupied well beyond the day when their complete independence is proclaimed. ■

"The proposed programs of the various parties and the government have all stressed a commitment to creating a social-market system or a new social safety net. Most of these aims, however, have become empty utopian slogans among the hard realities of the economic transition. Fear of Hungary's 'Latin Americanization' has appeared and warnings of a potentially normal 25 percent unemployment and poverty rate are not implausible."

Hungary: Eastern Europe's Hope?

BY IVAN T. BEREND

On March 25, 1990, after more than 40 years of one-party state socialism, over 4 million Hungarians participated in free multiparty elections for parliament. They voted to change the system. More than 24 percent of the vote went to the Hungarian Democratic Forum (MDF), a center-right party blending populist and conservative-Christian Democratic tendencies. The MDF's margin of victory in a crowded field opened the way for the formation of a center-right coalition with the Smallholders' and Christian Democratic parties, which won more than 11 and 5 percent of the votes respectively. The coalition had a comfortable margin of 229 to 157 seats in parliament.

Three opposition parties also won seats in parliament. The strongest among them garnered almost 22 percent of the vote. The Free Democratic Alliance (SZDSZ) had been formed by the former democratic opposition and exhibited an uncompromising anti-Communist character, with social-liberal tendencies. It could count on the cooperation of the Alliance of Young Democrats (FIDESZ), which won more than 8 percent of the vote, and shares its classical liberal values. The second-largest opposition group, the Hungarian Socialist party (MSZP), with almost 11 percent of the vote, was established on a socialist platform in October 1989 by the reform wing of the former ruling party. The reformers had, to their credit, begun implementing a unique economic reform in Hungary from the 1960s on, and had led the country's peaceful transformation, beginning in May 1988 with the dismissal of Hungarian Socialist Workers' party general secretary Janos Kadar and his old guard leadership.

The country successfully avoided political fragmentation and chaos since dozens of small parties failed to receive 4 percent of the popular vote, a minimum set by the parties during pre-election discussions in the summer of 1989. Normal political life and parliament's ability to work were thus assured. These were strengthened by an early pact between the MDF and SZDSZ in which the opposition party agreed to decrease the number of parliamentary decisions that required a two-thirds majority, thus creating an easier working environment for the government and legislature. The MDF paid for this with its acceptance of the presidential candidate from the SZDSZ, Arpad Goncz, who was subsequently elected. Thus a stable political framework was established for Hungary's difficult transformation into a democratic state with a market economy—the basic goals shared by all forces in parliament.

CHANGE IN PROGRESS

Hungary had another major advantage when it came to making change happen. Though the economy was in crisis and loaded with debt, Hungary still had an economy that worked, unlike Poland and Yugoslavia, whose economies were insolvent and suffered from hyperinflation. Moreover, in Hungary—as opposed to Czechoslovakia, Bulgaria, and Romania with their orthodox Soviet-style centralized economies—privatization and marketization had a significant history. Although they were only half-measures, the reforms implemented after 1968 had destroyed central planning and created a far more decentralized economy with a semi-market price system, a network of commercial banks, and a value-added tax.

In the mid-1980s about one-third of the gross national product was produced by private or semiprivate businesses concentrated in construction, services, and agriculture. And before the free elections the reformist government of Miklos Nemeth was committed to market transformation, had already begun to liberalize imports, and had nearly completed work on a

IVAN T. BEREND, *a professor of history at the University of California at Los Angeles, is a member of the Hungarian, Austrian, and British Academies and the author or coauthor of 21 books, among them* The Crisis Zone of Europe *(Cambridge: Cambridge University Press, 1986).*

free market price system. In addition, it had removed previous economic restrictions through steady deregulation, abolishing limits on private enterprise, and allowing foreign investment.

The first comprehensive transformation plans for the economy were worked out by committees near the end of 1988, and experienced teams contributed to the development of new programs before the 1990 election. The new Hungarian government thus inherited both an economy already in transition and ready-made plans for imposing a free market economy. With the elections, the transformation gained new impetus as ideological and political limitations disappeared.

Since then, Hungary has made substantial progress in moving toward the market. A market price system has been established and most subsidies, especially those for industry and agriculture, have been abolished. Marketization was completed with incremental import liberalization during the years from 1989 to 1991.

The retreat of the state and advance of the market have been closely connected with the building of a modern monetary system. The National Bank's monopoly (the bank had been the nation's single creditor) was eliminated in 1987, and the 1991 law on the National Bank reestablished the bank's autonomy. By the end of 1990, 30 banks were operating in the country; the role of midsize and small-scale banks is rapidly increasing. In place of the previous single insurance company, there were two in 1986 and nine by 1990, one-third of them in foreign hands.

The key element in the economic transformation, however, is the privatization of the state-owned economy. Hungary, unlike Czechoslovakia and the former East Germany, rejected reprivatization—giving back properties and firms to their true owners or their heirs—and has instead pledged to pay compensation. The exceptions are forcibly collectivized land that will be returned to its former owners, and schools and real estate previously owned by the Roman Catholic Church.

Property rights and the legal framework for private enterprise, including laws authorizing 100 percent foreign ownership of Hungarian companies, were granted in 1988–1989. Since capital had been accumulating in private hands for a decade, grass-roots privatization and the founding of small- and medium-size firms have gained since 1989. Nearly 50,000 private firms have started up in the last three years; they currently produce approximately 50 percent of GNP. The number of foreign companies and joint ventures is near 10,000 (compared to 1,332 in 1989), and invested capital reached $2 billion last summer and is nearly $3 billion for 1992.

The share of foreign ownership of Hungarian firms in mid-1992 was more than 8 percent, a clear sign of international interest. Hungary has attracted roughly half the Western investment that has flowed into eastern Europe. The government had, however, anticipated between 25 percent and 30 percent foreign participation in the economy. Except for a few large multinationals such as General Motors, General Electric, Suzuki, and Opel, most of the investments have been small; in 1989–1990, 90 percent of investment with foreign participation was less than $130,000 each.

The most difficult part of privatization is the selling off of large state-owned companies. Unlike Czechoslovakia and Poland, Hungary chose not to adopt so-called voucher privatization, under which the shares of state-owned companies are distributed to citizens free of charge or for a nominal fee. Instead, the government is selling the companies piece by piece after transforming them into shareholding corporations. To help initiate a domestic capital market, the Budapest stock exchange was reopened.

Most state-owned firms remain in state hands: only 14 percent have been sold. As was noted, in the early stage of the privatization gold rush, large established companies were rarely attracted to invest; small investors were, however. Such moneymen hope to make a quick profit and then withdraw; they have no interest in reinvestment that may lead to a net outflow of capital—evidenced by the fact that an important portion of investment was channeled into real estate and retail trade chains. Very little has actually happened because of restructuring, and except for an emerging car industry—practically the only field to receive solid investments from large companies—there are few signs of the genesis of new leading export branches in Hungary.

Furthermore, the privatization process has been slow because, as the opposition alleges, the government "nationalized the privatization." The State Property Agency, which was established in February 1989, determined which companies would be sold (in the first round, 20 firms were placed on the market). There were dual reasons for this. First, the new political elite wanted to block the road to spontaneous self-privatization and so prevent the former managerial elite from exploiting their position to become part of the new class of capitalists. In some cases this kind of privatization was accompanied by corruption, the old manager selling the state company at an unrealistically low price to a private firm he or she co-owned or to a foreign company that promised him or her the top managerial post.

A second important reason for banning rapid self-privatization was the governing party's recognition that it could use state assets for its own political self-interest to establish a new clientelism and thereby strengthen its position. The government's plan to privatize half the state-owned companies in four to five years will certainly not be realized.

A CHOICE OF TRANSITIONS

The collapse of the old regime and the emergence of the new one created exaggerated popular expectations for the economy. Experts, of course, often lectured that the upward road first has to lead down and the price of transformation has to be paid; there is no direct passage to a market economy from troubled state socialism and a prosperous welfare society. But the new political parties campaigning for election failed to stress the difficulties ahead, and their promises and slogans raised people's expectations even higher.

Once in power the government had to face hard realities. Other governments in eastern Europe that were in the same situation, chose between two approaches. The first, often termed shock therapy, called for the fastest possible transition to a competitive market economy while carrying in the interim the burden of unavoidable economic regression and social pain; governments taking this road had to contend with the dissatisfaction of the people and the political consequences. But Hungarians were tired of programs that demanded sacrifices now for future uncertain rewards; they remembered the saying of the hated Communist leader of the 1950s, Matyas Rakosi, "We must not eat the hen laying the golden eggs," and the oft-repeated promises of the aging Kadar that "transitory" difficulties would soon end and harder work lead to a new prosperity. One should note, though, that even the experts forecasted a relatively short, two-to-four-year period of decline after the application of shock therapy.

The second choice was a gradual transition, with a less dramatic advance toward a market economy but also less striking negative repercussions. This approach called for keeping certain institutions of the old regime alive, a gradual decrease in subsidies, a great portion of state-owned companies to remain in the hands of the state for a longer period, and the state's role in the economy to lessen gradually.

Some of the reformed former Communists and even anti-Communist (but also anti-Western) populists in Hungary supported this effort. (This was the MDF's position at first, during the period when it was dominated by populists.) Others pointed to the postwar success of the countries of western Europe, and maintained that a mixed economy of their type was more suitable for a previously state-owned economy than a 180-degree transformation—which in any event is rarely attainable. Others, again, were attracted to the model of the rapidly growing Asian states, which are strongly interventionist and often authoritarian.

No one advocated shock therapy for Hungary, since the country had already made important progress toward a market economy before 1990. Unlike Poland and, recently, Russia, the Hungarian government thus continued on the gradualist road. Gradualism was also adapted for privatization, and it characterized the government's social policy as well. The welfare system inherited from the state socialist regime was not drastically reformed. All this was, however, not the consequence of a carefully thought out social policy; the government, instead of mastering the transition, drifted into this approach.

DECLINE AND EROSION

Closing down obsolete, noncompetitive enterprises, halting the subsidization of firms that operate at a loss, and dismissing employees in overstaffed institutions are important elements of the transition. A negative side effect of these is declining production and rising unemployment; in 1990 and 1991 industrial output dropped 9.6 percent and 18.8 percent while gross domestic product decreased by about 10 percent to 15 percent. According to new forecasts, 1992 industrial output will decline to half that of 1988. After a slow start, unemployment jumped more than 10 percent, and further increases are ahead. After decades of full employment people are not prepared for this.

Agriculture, a previously successful part of the economy and a leading source of exports, has suffered a striking decline. Hungary was among the world's top five countries in per capita grain and meat production. But last fall the area given to wheat cultivation fell by 25 percent. Animal stock has dramatically decreased; cattle and pigs by between 20 percent and 25 percent, poultry by 50 percent. There is a strong capital outflow from agriculture; this year interest on savings accounts assured four times higher earnings than investment in pig fattening. Farmers virtually stopped using artificial fertilizers. At the end of the 1991 harvest few farms had the money for ploughing in 1992. Tracts of farmland remained uncultivated.

The disintegration of the eastern markets, the high cost of production, and the difficult reallocation of exports are playing a determining role in the advancing collapse of this formerly thriving sector. At the same time, some major domestic measures contributed considerably to Hungary's agricultural woes. For example, the government accepted a reprivatization program for peasant farmland demanded by the Smallholders' party and rejected by all the other parties, including the MDF. The program began, however, in an entirely altered Hungary: before forced collectivization, according to the 1949 census, 56 percent of the country's workers were employed in agriculture; today the figure is only about 12 percent. In these circumstances reprivatization could not provide a renewed incentive for, but could only aid in the destabilization of, agriculture. It also coincided with an ideological crusade to eliminate cooperative farms, though many of these wanted to continue to operate. Moreover, the government eliminated farm subsidies—which are still a decisive factor in Western agriculture—and opened the domestic market. All these steps, taken together,

certainly are the government's most harmful mistake since taking office.

Another difficulty is the strong inflationary pressure on the economy. Changing the price system, eliminating subsidies, and adjusting to world market prices while shouldering huge budget deficits and debt are the major causes of the pressure, which has triggered hyperinflation in some other eastern European countries. Hungary has successfully avoided that fate, but still has had to face serious inflation: in 1990 and 1991 the rate reached 25 percent and 35 percent respectively, although this year it has slowed significantly. Wages and pensions were eroded and real wages fell by between 13 percent and 15 percent.

Certain social groups, including a great many retired people (who represent 22 percent of the population), are sliding into poverty, while others are losing their middle-class status. Staples are becoming luxuries; durables that were long available to the majority have become status symbols. The quantity of food sold fell more than 30 percent this summer compared to 1989; 40 percent of water and power bills went unpaid. All this goes hand in hand with the growing polarization of society. The development of new private business has led to the rapid emergence of a class of arrogant nouveaux riches, narcissistically exhibiting their affluence, engaging in corrupt behavior, and skillfully avoiding taxes. Their appearance has caused a striking and extremely visible split in Hungarian society after decades of relative egalitarianism.

State socialism, out of ideological commitment, built up a welfare system encompassing the right of citizens to free medical care, free education from the primary to the university level, a low retirement age (60 for men and 55 for women), and a three-year maternity leave with a portion of one's salary. Additionally, staple foods, rent, children's clothing, and cultural services were heavily subsidized. All these, in spite of the country's low wages and salaries, created a sort of (low-level) social security system.

The country's welfare system was, however, premature and economically irrational. It placed a heavy burden on the state budget, and in the long run became one of the causes of the economy's malfunctioning. The deepening economic crisis of the 1980s undermined the welfare system. But the system's basic institutions did not change until 1990, when their decline, partly a natural consequence of marketization, became spectacular.

The welfare system was ripe for change, but it was not replaced by a new social safety net. A network of kindergartens that served about 80 percent of all preschool children is collapsing. Free or low-cost meals in schools are no longer available. Drugs, previously heavily subsidized, are now expensive and a luxury for certain groups.

Marketization coupled with a severe lack of financial resources for the transition caused a trauma in Hungarian cultural life, practically the only area that experienced a sort of shock therapy. Cultural life in Hungary is now being commercialized. Newspapers, magazines, and theater offerings, previously censored according to political considerations, are now under the "censorship" of a limited market, and clearly illustrate a collapse of cultural values and the advance of pornography and purely commercial products.

The proposed programs of the various parties and the government have all stressed a commitment to creating a social-market system or a new social safety net. Most of these aims, however, have become empty utopian slogans among the hard realities of the economic transition. Fear of Hungary's "Latin Americanization" has appeared and warnings of a potentially normal 25 percent unemployment and poverty rate are not implausible.

DISAPPOINTMENT AND REACTION

Desperation and political apathy followed the Hungarian parliamentary elections of March 1990. Six months after its impressive victory the MDF lost local elections in which only 30 percent of voters participated; there was a dismal turnout of around 8 percent for some of the by-elections held in 1991. In a tense political arena, the MDF sought to buttress its position by monopolizing power and counterbalancing democratic institutions with clientelism. It dismissed independent-minded civil servants and replaced them with party loyalists. There were harsh attacks against the freedom of a critical and independent press. In spite of Hungary's daring democratization of its political structures, public life grew less vital. The Constitutional Court (founded in 1989), a free press, and a working parliament have, however, safeguarded democracy against authoritarian attempts as extreme right-wing tendencies have appeared.

Extremism, present in the right wing of the MDF as well as in small groups outside the government, remains at the periphery of Hungarian politics. Though nationalism, combined with a certain nostalgia for the interwar regime of Miklos Horthy, has also cropped up, government policy has remained balanced. Hungary, an ethnically homogenous country, could avoid the tragedy of disintegration, civil war, and local conflicts that has become so characteristic of the post-Communist east. And though resurgent nationalism—especially because of the 3-million-strong Hungarian minority living in Romania, Slovakia, and Vojvodina, and the tens of thousands of refugees who have already arrived in the country—may prove one of the most perilous political traps of the coming years.

But a successful transition and Hungary's engagement with Europe as an equal and not peripheral country is dependent on international assistance and acceptance. Rejection or a long delay may be a factor in failure and rising extremism. ■

"Overlaying all the questions for Poland's future. . .is the question of what makes Poles so patient with their new system. It is not satisfaction. Instead, it seems to be hopelessness, a lack of options or faith that anything can really change. . . . [C]an there be democracy in Poland if the people opt out?"

The Puzzle of Poland

BY JANE LEFTWICH CURRY

Three years after Poland's Communist leaders admitted defeat and turned power over to the men and women they had interned in 1981, faith in the government is lower than it was at the end of the Communist era. And after four elections and five prime ministers, few in the country believe in the system or hope their lot in life will improve.

Politics is no longer a clear-cut matter of freedom versus communism. Politicians who once worked together against Communist domination are engaged in often vicious personal power struggles, and the parliament elected in November 1991 is so divided it has been virtually unable to pass any legislation. Reform of the economy has been stymied and governments have failed.

The collapse of faith was all too clear in last year's elections. Fewer than 43 percent of Poles turned out to vote. The only distinct message they sent was that the rush to capitalism and democracy was not working. Parties from both the left and right had no definite programs; for criticizing the government's social and economic policies they received less than 10 percent of the vote. More than 15 political groups won seats in parliament. They ranged from formerly Communist to nationalist Catholic, from a group that began humorously and turned into a pro-capitalist party (Friends of Beer), to groups fashioned from the warring factions of Solidarity and coalitions of small Catholic parties. None of their programs, however, was clear.

Under the best of circumstances these results would have made forming a coalition and then actually governing the country tricky. And circumstances this year are far from optimal. The immediate problem of deciding how to change the system, combined with the legacy of the understated Polish form of communism, have made the path out of communism difficult.

JANE LEFTWICH CURRY *is an associate professor of political science at Santa Clara University. She was a Fulbright professor in Poland during 1990–1991 and is the author of* The Black Book of Polish Censorship *(New York: Vintage Books, 1984) and* Poland's Journalists: Politics and Professionalism *(New York: Cambridge University Press, 1990).*

REDEFINING EXPECTATIONS

Overall economic conditions in the first three years after communism have hardly been what Poles imagined capitalism would be like. A few have grown wealthy. Stores are well stocked with foreign goods for the first time since World War II. Cities seem transformed, filled with everything from expensive Western cars and restaurants to pornography and homeless people.

The gains, though, have not been universal. The state and a large portion of the population are impoverished. Privatization remains at a standstill while government-owned factories produce less and less. And Poland's need for outside help paying off its debt and rebuilding its economy gives the West a huge say in what should happen in the country.

The stress of making hard economic choices is aggravated by the problems of running the country. Polish political institutions function by means of a series of ad hoc adaptations of the old Communist constitution. The once solid "Solidarity" coalition has splintered into factions as angry at each other as at the old system, and President Lech Walesa, once Solidarity's undisputed leader, has been at war with many of his old allies.

A balance between left and right has been tough to strike because parties have yet to formulate real programs. The former Communist party won 12 percent of the vote in the 1991 elections, but its past keeps other parties from wanting to work with it. The left wing of the old Solidarity, the Democratic Union, came in first at the polls but could not find enough partners to form a coalition; for those on its right it was too liberal and too powerful. There is a Center Alliance party but no real centrist party. And the right has fragmented into "parties" formed around individuals or single issues.

Confidence in anything is in short supply. Institutions such as the Church and Solidarity and their leaders lost their support once they brought down

communism and gained political power. The basic elements of capitalism lack support in the country as well. In the view of 87 percent of Poles surveyed this May by the government center for public opinion research, the economy is headed the wrong way, one sure to make things worse over the next few years; to 57 percent, the economy appears in worse shape than at the end of Communist rule. Eleven percent thought the country was going in a positive direction and 74 percent were convinced it was going in the wrong direction.

Surrounded by division and disappointment, Lech Walesa acted to focus power in his presidency. His inclination after last November's balloting was to ignore the election results, listen to Western lenders who wanted the scions of Poland's economic transformation to stay at the helm, and keep Jan Bielecki, the prime minister he had appointed after the presidential election in 1990. But the parties on the right that had opposed the dramatic changes in the economy and supported conservative social policies blocked Walesa for nearly three months, and finally forced him this January to appoint his former ally and current enemy, the dissident lawyer Jan Olszewski, prime minister.

Olszewski's agenda was to stem the recession triggered by the rapid remaking of Poland's economy and to move the country further and more rapidly from its Communist past. Once in office, however, he did not craft an economic program. This, the continuing problems with the economy, the constant conflict between Walesa and Olszewski over power and turf, as well as Poles' cynicism about any leader, made Olszewski's tenure short.

The prime minister's lack of a parliamentary majority meant that little proposed by the government was passed by parliament. His ministers were limited to dramatic edicts and revelations about the failings of the past. Rumors that a military coup was planned made the rounds. In the crucial area of economic policy, Olszewski's people did not have the detailed program and international support they needed. Ultimately, in an ill-fated attempt to hold onto power, sealed envelopes containing lists of prominent politicians accused of being onetime secret police agents were circulated. In June Olszewski was voted out by parliament. Walesa then named to the post Waldemar Pawlak, a 36-year-old university educated farmer from the once pro-Communist Peasant party, who resigned after one month because he could not form a cabinet.

If striking rhetoric and policymaking paralysis were the hallmarks of the Olszewski government, coalition building and a shift from confrontation to compromise are the core of the "new politics." The cabinet of Hanna Suchocka, a newcomer to the Polish political leadership, characterizes itself as professional and not political, with ministers drawn from both sides of the political spectrum. But the coalition underlying this national unity cabinet remains a fragile one. Economic policymaking has returned to the liberals who created the economic "shock therapy" of the first two years after Communist rule, and who never really supported conservative social policies forbidding abortion, punishing former Communists, and requiring religious education in the public schools. However, the potentially contentious decisions on such social issues are in the hands of the coalition's other main members, the conservative and Catholic politicians who campaigned for parliament against the continuation of the shock therapy.

THE ECONOMIC DILEMMA

Economics was always the paramount problem and promise in Poland. The first priority after the Communists fell was to "stabilize" the economy and lower the high inflation sparked by the last Communist government's freeing of prices; that, after all, had been the promise in the economic sections of the 1989 roundtable accords between the Communist regime and the opposition. But this was a promise that went unkept.

The post-Communist economic transformation sent the weak economy into an even more severe downturn. Only this June did the economy's performance reach the same level it was at in January 1990, when the reforms started. With this, approximately 30 months after Poland's dramatic leap toward a market economy, some predicted the economy would begin to climb, although remaining far behind western Europe.

To the economists who first took over eastern Europe's economic ministries, schooled as they were in Western economic theories and the experience of failed communism, economic transformation required using all the tools of the state to stabilize the economy and bring inflation under control. Protecting workers' earnings and living standards took a backseat to achieving a balanced budget, removing price controls on goods still regulated by the state, controlling the money supply, preventing wages from skyrocketing, and making the national currency fully convertible. The Poles went one step further and decided to do all these in one "big bang." This decision, coupled with Poland's large debt to the West ($48.9 billion in 1990), made support from individual Western countries and charitable organizations and the International Monetary Fund (IMF) and World Bank essential. And with these funds came Western pressure to do things the Western way.

The so-called Balcerowicz plan, implemented in January 1990, did not bring about a rapid righting of the economy. Restrictions on imports were dropped and the market was flooded with better made and often cheaper Western goods. However, Polish electronics, textile, and food producers lost their monopolies and practically perished. Prices—which had increased nearly 640 percent in 1989—climbed another 243 percent in 1990. Until the plan took effect, though, wages had

kept pace with price increases; afterward, wage controls were instituted on all but private businesses to slow the flow of money. Thus in the program's first month prices increased 80 percent and wages only 30 percent. Real wages suffered a 40 percent drop in the first half of 1990. All this, and the prospect of privatization, resulted in decreased production: the gross national product fell 11.6 percent in 1990 and between 8 percent and 10 percent in 1991. This was worse than the planners had expected.

For state-owned industry, which had been battered by these developments and the government's high valuation of the zloty that made imported products cheaper, the crisis deepened in 1991. Trade with the Soviet Union and the rest of eastern Europe, for which much of Polish industry was geared, collapsed. At virtually the same time energy costs skyrocketed with the demise of the Soviet market and the start of the Persian Gulf war. Uncertainty about the potential move from state to private ownership only decreased productivity further. State firms were working in uncharted territory that reduced both their incentives and their chance even to be as productive as they had been under the Communists. Private production in new firms and joint ventures rose more slowly than expected even though new private firms received significant tax breaks. With the taxes collected from private production failing to compensate for falling earnings from state industries, the state lost revenue while the cost of products and services increased.

Other shifts violated the basic promises of the roundtables. As mentioned, workers' salaries were not protected against inflation. The budget base for basic services in education, health, housing, and culture fell dramatically. The old safety nets the roundtable accords were supposed to preserve simply disappeared. The egalitarian notions of the old system fell by the wayside as well. Money was made by some, and that small but growing wealthy class has been indulging in conspicuous consumption. Most Poles, however, have found themselves cutting down even on necessities. The inequity has not sat well.

Privatization, the key to moving from a state-dominated economy to a capitalist one, was supposed to follow on the heels of economic stabilization. But virtually nothing about taking the country private proved simple; what Poles really wanted was a privatized economy without the risks and inequities that one entails. And the popularity of privatization was further reduced by the fact that private ownership existed during the Communist period.

Before Communist rule ended, the rights of ownership were expanded from private farms and small-scale crafts enterprises to parts of state-owned operations and joint enterprises with Western firms. In what came to be known as "privatization of the nomenklatura," managers and state officials bought the most profitable parts of state-owned factories and ran them. This gave the Communist-era elite a stake in the change; it did not make privatization seem like a fair and just process to the rest of the population.

Post-Communist moves to privatization were no simpler or acceptable to a broad range of Poles. By this year three areas of privatization—small-scale privatization, reprivatization, and privatization of state industries—had been attempted, but in each the task remained undone.

Small-scale privatization through individual ownership of state-owned shops and restaurants, as well as the opening of a host of new enterprises, began almost immediately. Many of these firms, especially the larger ones, are the result of foreign investment. More than 75 percent of retail trade was in private hands by September 1991. But this establishment of privately owned firms has not filled the void in production left by the lagging state enterprises, or provided the tax revenues the state needs. And not all enterprises pay the taxes they are required to: some estimates are that 40 percent of real gross national product comes from these "gray market" businesses that avoid carrying their share of the tax burden. Still others of the small-scale private enterprises are based on the importation of Western goods, which undercuts the market for Polish production.

The reprivatization of property and businesses taken over by the Communists has been more difficult. In each case, real blocks to privatization are raised by issues of balancing the rights of current users with the rights of former owners or their descendants; valuing improvements made over the last 40 years; and the cost to the state of compensating the former owners.

The main stumbling block to privatization, however, remains the remnants of communism's favored type of investment: huge and (now often bankrupt) heavy industrial plants and outmoded factories for the production of consumer goods. Employing as they do between half and two-thirds of Poland's workers, the fate of these plants is far more than a simple economic decision. Most would be bankrupt on their own and they are not internationally competitive. Closing them, however, would not only leave tens of thousands unemployed but also ensure that whole regions would have virtually no economic base. Finding new owners to keep them open is not an easy matter. For 13 plants that were profitable in 1990–1991, stock was sold at public auction. A few large plants have been sold to foreign buyers, including Western companies. Still others have been recast as state-owned firms expected to make a profit and at the same time organize for future privatization.

For the most prominent among Poland's enterprises, however, privatization is far off. The government is unwilling to take the political fallout for shutting them down, and private investors are unwill-

ing to buy them. There is still no viable plan for taking them private. The voucher system adopted in Czechoslovakia was first discussed in Poland, but was never put into effect because the cost was too great: the state simply can't afford to "give away" its financial base. The other option suggested was for state firms to be consolidated, evaluated, and prepared for privatization by foreign consultants employed by the government, but no agreement has been reached on how much influence the outside experts should have.

Foreign interests have played a major role in the remaking of the Polish economy. To manage Poland's huge debt as well as to redevelop the country's collapsing infrastructure, World Bank, IMF, and other Western assistance was needed. To gain support and appeal to American and European investors, Poland has had to adopt a stringent economic plan and provide foreign investment with tax benefits and broad rights of ownership, including the right to own land and to take profits out of the country.

The economic necessity of pleasing external interests was made clear this year when the IMF pressed parliament to keep the budget deficit at 5 percent. Although the largest proportion of deputies had campaigned against austerity programs, the specter of the IMF and the World Bank refusing further aid forced parliament to go against its own political interests and freeze pensions and wages for government workers. Only the rejection of this decision by Poland's Supreme Court made parliament reverse itself and raise wages.

WHAT IS IN STORE?

The future of the Polish economy is no more certain than the specific continuation of foreign assistance. Some recent studies suggest that, although the economic statistics are still more negative in Poland than in Czechoslovakia and Hungary, the other developed post-Communist states, the bottom has been reached. Polish industrial production remains below its 1991 level but has begun to increase. Unemployment stands at almost 14 percent but growth in the private sector is beginning to lower that. Inflation has gone from 586 percent in 1990, when the reform was instituted, to an estimated 50 percent this year. Although the loss of the once assured Soviet and East European trade still hurts, Poland now exports to the West more than it imports. This reflects both the increasing marketability of Polish goods and the smaller market in Poland for Western goods as the zloty has fallen in value.

The economy has been most troubled by the legacy of the Communists' failure to build a communications and transportation infrastructure and by the political legacies of a Communist economy. Polish businesses are hampered by the former of these, and Western businesses have been reluctant to provide the high levels of investment Poland needs before the telephone system works and it is possible to get goods into and out of the country easily.

Poles themselves have been less than willing to buy into the new system when that means a drop in the benefits the Communist system guaranteed them: health care, education, cultural amenities, and a minimal standard of living. With the ending of subsidies and the dramatic decline in the state budget, all these benefits were cut dramatically. As a result of this and of increases in the cost of living and the visible widening of income differentials, economic reform has lost much of its political support. The future of the economy is mired in the future of Polish politics.

The government has little more give. The Sejm's decision to go ahead and raise pensions and government workers' wages will create a budget deficit that is some 10 percent of GNP, more than the International Monetary Fund will sanction. For government spending on services and welfare, the coffers are simply empty.

What the government hopes for now is a continued economic boom as well as acceptance by the bulk of the population of the costs of leaving Communist economics behind. The future of the Polish economy and of Polish politics ultimately lies in the forces of private ownership, and actors from old Soviet bloc trade partners and Poland's new Western trade partners and international economic guides: the IMF, European Community, and World Bank.

STRUGGLING TOWARD THE POST-COMMUNIST FUTURE

As for Polish politics, much of what has changed in the country is not what people hoped would when they joined Solidarity in 1980 or voted for Solidarity candidates in 1989. The people and institutions that agreed the old system was bad and needed to be thrown out and could join forces against it now want different things out of the new system that must be built.

The current coalition cabinet of Hanna Suchocka was supported by 233 parliamentary deputies from the non-Communist left and right, of whom 196 are formally committed to her government. Even that number represents only half of parliament, far less than the two-thirds needed to replace the Communist-era constitution with a new one. The greatest bond between coalition members was their desire to end the deadlock and conflict that marked the six-month tenure of the Olszewski government, not a common vision or set of goals for the new Poland. Deputies from the left support a rapid transition to a capitalist economy and oppose prohibiting abortion. Those from the right campaigned against current economic policies and support a prohibition on abortion as well as strong influence for the Church in state decisions. And the institutions and personalities that earned widespread public support during their battle against

communism now have interests and priorities that are far from those of the citizens who were once their supporters.

For the Church, the end of Communist rule was a symbol of the Church's power over Poles. The Church shifted from leading Poles to resist Communism to strengthening its hold over their personal lives, pressing for religious education in the schools and a total prohibition on abortion. The battle over the former was a quick and easy one, but the mandated religious training did not strengthen the Church's position; rather, parents and children gradually came to resent it and the phalanx of ill-trained religious educators drafted into teaching.

Abortion, however, has been the Church's donnybrook. Although more than 95 percent of Poles questioned in national surveys claim to be Catholic, Poland has had one of the highest abortion rates in Europe. Pressure by the Church forced legislators to deal with the issue but did not change popular values. Thus even as the Church made criminalizing abortion a key policy issue and pressed doctors not to perform the procedure, it lost much of its credence with the Polish people. Its public approval rating has gone from the highest of any institution in the country to below those of the military and police.

The fate of Solidarity has been no less trying. What was once a trade union and opposition movement strong enough to take on communism faced an economic crisis when it assumed political power. Solidarity leaders who had once called for salary guarantees and union rights for workers had to deal with economic realities and Western institutions that forced them to go against their old constituents. As they did so, Poles lost faith in yet another hero and Solidarity split apart. In the dramatic round of strikes this August, Solidarity opposed them while the former Communist trade union and some parts of the old Solidarity coalition supported them.

Adding to Poles' sense of alienation has been the separation between elites and the general population. As former underground and worker activists have moved into positions of power, their respect for their constituents has shrunk, and a gulf has opened between popular and elite opinions. This fits with the lesson Poles learned under communism: politicians and politics are not to be trusted. It has not helped build democracy. Studies show that Poles continue to live on the edge of the law and to look at politics as a bad business in which politicians are corrupt and make decisions that serve their own interests. At the same time, politicians think of themselves as above politics and talk privately—and sometimes publicly—about the need to lead and educate the populace.

As politicians fight for their own positions and push policies, they also must create long-lasting structures for post-Communist Poland. The system currently swings between a parliamentary one with power lodged in the legislature, and a presidential system with power vested in the president. The animosity between Lech Walesa and many members of parliament has turned this into a personal battle, and ways of working it out are found only when there is an open conflict over policy and the threat of one side or the other dominating. The swings destabilize the system. But when controversial policy must be made by politicians still trying to establish their legitimacy, system building falls by the wayside.

Paralleling this dilemma of system building is the problem of dealing with the old system. The people and the elites have split on this. Among political leaders, some have pushed to draw a "heavy line" between communism and the new system and go on. Others have pushed, as Olszewski did, to reveal former secret police agents and punish the Communists and those who supported them. For these Poles, communism is the root of Poland's current problems and purging it is a way to bring the nation together.

While there is no real support for a return to communism, the Communist era is looking better and better. In December 1991, on the tenth anniversary of the imposition of the hated martial law, a poll showed that a majority held that martial law had been a necessary evil. By this July, 30 percent of Poles thought their lives under the country's last Communist prime minister was better than under any of his successors, and 24 percent thought there was no difference. Punishing the former Communist leaders seems to have also lost its appeal with the growing sense that the old days of communism were not so bad.

The irony is that relative stability exists in Poland in spite of the failure to stem or resolve major crises of legitimacy, economic dissatisfaction over the distribution of power and wealth, the nonpenetration of elites' values into the population, and lack of political participation. Far less severe crises brought down four Communist governments that seemed to have far more power behind them.

Overlaying all the questions for Poland's future, then, is the question of what makes Poles so patient with their new system. It is not satisfaction. Instead, it seems to be hopelessness, a lack of options or faith that anything can really change. Under these conditions, elites seem able to play politics, but can there be democracy in Poland if the people opt out? ■

"The travails of Poland, Czechoslovakia, and Hungary suggest that the road back to the market will be longer than many reformers originally anticipated."

The Politics of Eastern Europe's Move to the Market

BY SHARON L. WOLCHIK

The fall of Communist systems in eastern Europe in 1989 ushered in a phase of twofold transformation. New leaders throughout the region sought to create and consolidate democratic political institutions while grappling with the economic decline that had characterized the last decades of Communist rule and paved the way for the changes of regime. As the early post-Communist slogan "Democracy, the Market, and Back to Europe" indicates, they also faced the need to re-create private property and other aspects of a market economy and to reorient their countries' economic relationships with the outside world. Their ability to take the necessary steps and their approach in dealing with the legacy of the Stalinist economic model have been influenced in important ways by political factors. And economic developments have in turn had major repercussions on the stability of governments and the transition to democracy in the region.

The somewhat different paths to the market chosen in Poland, Czechoslovakia, and Hungary reflect in part their differing economic conditions and history of economic reforms during the Communist period, as well as the balance of political forces and the nature of the coalitions that emerged in the early days after the Communists' fall. The impact of economic transformation on politics has in turn been conditioned by ethnic differences and by each country's experience with economic reform in the last decades of Communist rule. All three cases illustrate the dilemma that economic transformation poses for new political leaders: transforming the economy is crucial if democratic institutions are to survive in the region. But the inevitable costs of change in the short run—including inflation, unemployment, a decline in real incomes, decreases in social services, and pervasive uncertainty—pose threats to the survival of leaders associated with the reforms and, in some cases, to recently reestablished democratic institutions. As under communism, economic issues dominate the political agenda in post-Communist eastern Europe.[1]

SHARON L. WOLCHIK *is the director of Russian and East European studies at George Washington University. Her most recent book is* Czechoslovakia in Transition: Politics, Economics, and Society *(London: Pinter, 1991).*

[1]The relationship between economic and political change has received a good deal of attention, both before and after the fall of communism. See Adam Przeworski, *Democracy and the Market* (Cambridge: Cambridge University Press, 1991).

POLAND: THE BALCEROWICZ PLAN

Just as Poland's Solidarity movement and discussions between reformist Communist party leaders and the opposition paved the way for the political changes that occurred in the rest of the region in 1989, so too Poland was the advance guard in re-creating a market economy. Led by Finance Minister Leszek Balcerowicz, the government of Prime Minister Tadeusz Mazowiecki, which came to office after the overwhelming defeat of the Polish Communist party in June 1989, worked quickly to articulate a major program of economic change. This program of "shock therapy," which also reflected the advice of outside economic experts, was aimed at reestablishing a private sector and integrating Poland once again into broader European economic relationships. The primary emphasis of the program as originally enacted, however, was on macroeconomic stabilization policies that would cool Polish hyperinflation and gain the confidence of outside investors and international financial institutions.

By the time elections were held in June 1989, there was general agreement among political actors, including those inside the system, that dramatic action was necessary to stem the country's economic decline. This consensus emerged as a result of the economic crises that gave rise to periodic political upheavals in the 1970s and helped lead to the formation of the Solidarity trade union movement in 1980. Numerous attempts during the Communist period to make the centralized economic system more efficient, including several reforms inaugurated in the 1980s, failed. One of the last of these, introduced in 1988, foundered

largely because the government proved unable to resist workers' demands, at times expressed in strikes, for wage increases to offset the reform's price increases and cuts in subsidies. By mid-1989 the growth rate for industrial output, which had decreased steadily, hit zero. The country also faced a mounting debt crisis.

Confronted with both high inflation and stagnation of industrial output, the government of Mieczyslaw Rakowski took several steps that would prove to be important after the end of Communist rule, including the elimination in August 1989 of most agricultural and food subsidies. This measure, together with aid from abroad, helped cushion the impact of the introduction of market-oriented reforms after the formation of the Mazowiecki government that same month.

The principal planks of the Balcerowicz plan included macroeconomic stabilization, liberalization and deregulation, privatization, and industrial restructuring. Because of the country's economic straits, the new government emphasized stabilization. Anti-inflationary policies that included the end of wage indexation, the imposition of a tax on excessive wage increases by state firms, and devaluation of the zloty worked to bring down the high inflation rate in 1990. Shortages quickly ended after the liberalization of prices, and the country experienced a sizable surplus in its hard-currency trade in 1990. These positive results, as well as the overall design of the reform project, won support for Poland among foreign investors and financial institutions. International Monetary Fund (IMF) and World Bank aid during the early phase of the stabilization program was followed by agreement among the governments involved to forgive half Poland's publicly held foreign debt.

Although all this helped make the Polish strategy a model for other post-Communist states, the cost of the Balcerowicz plan soon became evident. Unemployment climbed three times higher than the government's initial projection, while gross national product and real wages fell significantly. The stabilization thus led to substantial hardship and uncertainty for large groups among Poland's population. Workers in inefficient large state enterprises, including those that had formed the core of Solidarity's support during the Communist period, were particularly threatened by Balcerowicz's policies and his plans for privatization.

In the early months under Mazowiecki, it seemed that a government with a certain degree of legitimacy that could claim to represent the population would be able to accomplish what successive Communist governments had not. However, as the recession deepened in late 1990 and in 1991, people's patience wore thin. The reform program became an issue in the presidential election of 1990 and provoked a number of serious political crises in 1991, as industrial production continued to decline and unemployment rose to approximately 11 percent of the labor force. The collapse of the Council for Mutual Economic Assistance and the decline in trade with the Soviet Union led to a deficit in the balance of trade and further disruptions in those sectors of the Polish economy that were heavily dependent on these markets. State firms were particularly hard hit by these developments; by the end of 1991 many were heavily in debt. The inability of the state to collect taxes, particularly from large state enterprises, contributed to the growing budget deficit, which threw Poland's agreement with the IMF and World Bank into jeopardy.

THE POLITICAL IMPACT

Political factors have also had a major influence on Poland's privatization. The leadership's plans to privatize the economy were in part a reaction to so-called spontaneous privatization, which saw members of the nomenklatura translate their political power into economic advantage as they bought or sold the most profitable state assets without any legal basis or regulation. Fear of foreign, and particularly German, domination of the economy also spurred the government to expand private ownership, which had encompassed most agricultural land for much of the Communist period and was gaining in the service and industrial sectors before the end of Communist rule.

Although legislation designed to facilitate the development of the private sector was enacted under the Mazowiecki and Bielecki governments, overall progress in privatizing the economy was slow during 1990 and 1991. "Small privatization" has done better. Approximately 362,000 new private businesses were set up and survived in 1990, while some 35,000 state and cooperative stores were either leased or sold to private individuals that same year; officials claim that 75 percent of the nation's retail trade was in private hands in 1991. However, most of these privately owned concerns were small, and were in the retail rather than the productive sector. Little progress was made in privatizing the large, state-owned industrial enterprises. A plan for "mass capitalization," which was intended to privatize 400 large industrial firms by distributing stock in them free of charge to all adults, was abandoned in early 1992 because of political opposition.

Public resistance to privatization, especially among workers, has been evident since early in the post-Communist period. A 1990 survey, for example, found that only 13 percent of workers, but 37 percent of directors, favored private ownership of their enterprise; approximately equal proportions of workers (36 percent and 35 percent respectively) favored state ownership and employee ownership.

Anti-Balcerowicz rhetoric dominated the parliamentary elections of October 1991. Only 20 percent of Poles surveyed in February 1991 supported the finance minister's plan, for example, while 32 percent opposed

it (and 31 percent said they knew too little about it to judge). Popular dissatisfaction and deepening recession resulted in the formation of a government coalition dominated by parties that adamantly opposed Balcerowicz's policies and campaigned on the promise to end the recession. However, the government of Jan Olszewski found itself unable to articulate a coherent alternative for the economy and continued to follow the policies of the previous governments. The budgetary crisis it inherited forced additional spending cuts and price increases. Mass protests, including a one-hour strike this January to protest the price hikes, graphically demonstrated the political costs of such moves. But the Olszewski government had no other real option. Workers also went on resenting the *popiwek,* or tax on excess wages, instituted by the Mazowiecki government to control inflation.

The ouster of the Olszewski government in early June 1992 was precipitated by its release of information on secret police collaborators, but its inability to deal with pressing economic matters, as well as the conflict between the prime minister and President Lech Walesa, hastened its demise. The formation in July of a governing coalition supported by a majority of parliamentary delegates raised the possibility that Polish leaders would be able to break the immobility that had characterized parliament in the previous year and move ahead once again with the transformation of the economy. The new coalition is dominated by political parties that support the Balcerowicz plan, and many of the post-Solidarity forces are united under Prime Minister Hanna Suchocka. Although members disagree on many aspects of economic policy, they are united on the need to re-marketize Poland's economy and have agreed to adopt a pragmatic approach to economic issues.

Leaders of the coalition appear to have absorbed the lessons of the past two years. The upturn in economic indicators that began in March 1992, including an increase in industrial output in April, May, and June, and the need to adhere to conditions set by the IMF if economic aid and debt reduction are to continue, support the continuation of the reform program. Positive trends in trade, particularly in exports, in the first half of 1992 should also help the new government. Passage of a constitutional amendment allowing the government to make economic decisions by decree will allow it to bypass parliament if it is unable to act. However, as in the past two years, popular dissatisfaction, particularly among industrial workers, may again create pressures to deviate from the program. Such pressure, evidenced in recent strikes in several important enterprises, is particularly likely if the projected increase in unemployment to 17 percent and a continued decline in gross domestic product materialize.

CZECHOSLOVAKIA: ECONOMIC REFORM FUELS ETHNIC CONFLICT

The leaders who came to power in Czechoslovakia after the 1989 "Velvet Revolution" also opted for economic shock therapy after several months of debate. In addition to the destabilizing effects that manifested themselves in Poland, in Czechoslovakia the political impact of the reforms has been different in the two parts of the country. It has contributed to the growth of separatist sentiment in the western portion, Slovakia, that has assured the division of the country into two independent states.

In contrast to the situation in Poland and Hungary, where economic reforms had been attempted under communism, the move to the market in Czechoslovakia took place against a backdrop of economic orthodoxy. After the 1968 Warsaw Pact invasion of the country, all efforts at market-oriented reform stopped. Fearful that any attempt at economic change would once again spill over into the political realm, the leadership under Gustav Husak relied on administrative measures to deal with the country's growing economic problems. Discussion of reform remained taboo until the late 1980s. The Communist leadership in January 1987 adopted a reform program designed to reintroduce elements of the market, but few of the measures it envisioned had been implemented before the Communists' ouster in November 1989. At the same time, although Czechoslovakia suffered from many of the problems that plagued other centrally planned economies, the standard of living continued to be higher than in most of the others. And because of the leadership's reluctance to integrate the country into the world market or borrow from the West, Czechoslovakia also had one of the lowest hard currency debts in the region at the end of the Communist period. The need for dramatic economic measures, so obvious in Poland, was not as pressing in Czechoslovakia.

In the early months after the fall of the Communist system, Czechoslovakia's economic policies reflected the divisions apparent among President Vaclav Havel's main economic advisers. Those grouped around Valtr Komarek, the leader of the Czechoslovak Social Democratic party, argued for a gradual reform that would preserve a greater role for the state and better protect individuals from the adverse effects of the shift to the market. At the other pole was Vaclav Klaus, the federal finance minister who became prime minister of the Czech republic after the June 1992 elections. A self-described free-marketeer, Klaus was the architect of a rapid economic reform program designed to re-create the market and reintegrate Czechoslovakia into the world economy. While debate continued, the federal and republic legislatures worked to lay the foundation for the emergence of a market economy by passing laws allowing for the formation of a private sector, as well as those regulating banking, state enterprises, land use,

joint ventures, foreign exchange, joint stock companies, and foreign trade.

Adopted by the federal and both republic governments in September 1990, Klaus's program of economic reforms went into effect in January 1991. Its main elements, similar to those in Poland's Balcerowicz plan, included price liberalization, privatization, and structural change; these were coupled with a stabilization program funded in part by international organizations and by efforts to reshape the country's external economic relations.

From the perspective of federal officials, as well as numerous outside experts, the results of the program in its first year of operation were positive in many areas. After an initial surge, which produced a 26 percent rate in January 1991 alone, inflation declined almost to zero in the second half of 1991. There were also hopeful developments in the area of foreign trade. Before the collapse of its Communist government, Czechoslovakia's foreign trade was concentrated mainly in the socialist bloc; the Soviet Union accounted for 43.6 percent of the country's imports and 43.3 percent of its exports in 1987, for example. But the reorientation of Czechoslovakia's trade proceeded faster than anticipated. In the first half of 1990, 39 percent of the country's imports and 40 percent of its exports involved developed Western countries. The shift in trading partners continued in 1991, as shown by the fact that over 95 percent of payments were in hard currency; Czechoslovakia ended the year with a $900-million trade surplus. Czechoslovakia also succeeded in attracting substantial foreign investment in the first two years of the post-Communist period, although less than what officials had anticipated.

Efforts by the leadership to re-create a substantial private sector began from a more difficult starting point than in Hungary or Poland, since nearly all small as well as large industrial and agricultural enterprises were still in state hands at the end of the Communist era. Small-scale privatization began in February 1991. In a series of auctions, approximately 13,000 enterprises in the Czech republic and 7,700 in Slovakia had been transferred to private hands by January 1992. An additional 50,000 businesses have been returned to their private owners according to the provisions of the restitution laws. Many of these are small, employ only a few people, and are concentrated in the retail trade and service sector.

In privatizing large-scale enterprises, fear of foreign domination and nomenklatura privatization such as occurred in Poland and Hungary led to the adoption of "voucher" or "coupon" privatization. This form of privatization was designed to serve both economic and political purposes. First, it was seen as a means to privatize substantial portions of the country's economic assets in a situation in which very few citizens had substantial reserves of capital and public opinion ran against too large a role for foreign concerns. At the same time, voucher privatization's creation of a sizeable group of stockholders with a direct stake in a market economy would presumably increase support for the reform effort and its proponents. Over 8.5 million people took advantage of the opportunity to buy vouchers after investment funds promising a fast return sparked public interest. The second round of large-scale privatization, which will affect 2,000 large industries, was to begin this year.

Government officials also envision an important role for foreign investors in privatizing the country's interests, and investment treaties and legislation to facilitate such investment have made it more attractive. By June, some 4,000 joint ventures had been established, most of them in the Czech republic. But economic officials have described the level of foreign investment as disappointing, and many are fearful that the uncertainty surrounding the breakup of the federation will postpone an increase in such investment. At the same time, international organizations expressed confidence in the country, as reflected in an April 1992 IMF loan of $3.3 billion.

Problematic aspects of the reform include a sizable decrease in productivity and industrial production (which declined by 23 percent in 1991) and the slow pace of structural change. As in Poland and other countries in transition to the market, including many in Latin America, the government's policies have clearly come at the cost, even if temporary, of declines in the standard of living and in individual incomes. Unfortunately, such costs in Czechoslovakia have been much higher in Slovakia than in the Czech lands of Bohemia and Moravia. The rise in unemployment nationally, for example, has not been great, but the overall figures mask significant regional differences: the unemployment rate for March was 3.7 percent in the Czech republic but 12.3 percent in Slovakia. Similar patterns emerge in looking at poverty levels and household income in the two parts of the country.

These differences arise from the fact that Slovakia was much less highly developed than the Czech lands before the coming of communism, and that much of the industrialization in Slovakia occurred during the Communist period, and so reflected the distortions and inefficiencies associated with Stalinist patterns of economic development. The concentration of the arms industry in Slovakia also intensifies the injurious impact of the reform there. Attitudes in Slovakia toward the move to the market are thus much more negative than in the Czech lands, and Slovaks have given their support to political parties that promise a change in economic policies. The impending breakup of the country is likely to complicate the move to the market in both halves, despite current efforts to minimize disruptions. Slovakia's government insists it is committed to the market, though at a slower pace; it

will attempt to ease the costs of the transition for the populace and will not press ahead as rapidly with privatization. The Klaus government in the Czech republic will continue with its program but will also have to deal with the separation of the economy.

HUNGARY: A GRADUALIST APPROACH

In contrast to the method in Poland and Czechoslovakia, Hungary's new leaders chose a more gradual re-creation of the market after the end of Communist rule. Prime Minister Josef Antall pledged at his inauguration in May 1990 that Hungary would become a social market economy and would not adopt any kind of shock therapy, and the policies of his government have adhered to this.

The government's ability to avoid a radical shift in economic policy rested in part on the fact that reforms designed to introduce elements of the market had been under way in Hungary for nearly 20 years before the Communist fall. The state, however, continued to play the dominant role, and the country's centrally planned economy was plagued by many of the problems evident in others of its kind. By 1989, increased inflation and a large budget deficit threatened Hungary's receipt of IMF loan payments and illustrated the need for more fundamental change. But even under Communist rule the economy was allowed to develop a sizable private sector. Legalization of many economic activities previously relegated to the second economy and expansion of links to Western firms also meant that managers and bureaucrats gained familiarity with market practices.

Political factors also contributed to this economic choice by the Antall government. The elite-negotiated end of communism in Hungary reflected the weakness of the Communist leadership but also the lack of popular support for the opposition, as well as the divisions within that opposition. Of the former opposition groups now active in politics, few support a more radical move to the market. Popular frustration with economic developments, as reflected in a three-day taxi and truck strike in October 1990 centered in Budapest, led to the resignation of the finance minister and the adoption of a somewhat more ambitious economic reform program. However, the leadership continues to eschew radical reforms to achieve its goals of greater privatization and a reorientation of the country's economic relations. This strategy initially brought with it many of the same consequences felt in Poland and Czechoslovakia. This was especially noticeable in the growth of unemployment, which reached 10 percent this June, and the fall in industrial output. The government also continued to struggle to keep the deficit under control and in line with IMF guidelines. But Hungary's decline in gross domestic product in 1992 was the lowest in the region, as was its inflation rate. There has also been a significant increase in trade with the West. Along with Poland and Czechoslovakia, Hungary succeeded in negotiating an associate membership in the EC in April. Further progress was achieved in controlling inflation in early 1992, and the country enjoyed a trade surplus in late 1991 and the first half of this year.

Hungary has also been more successful than Poland and Czechoslovakia in attracting foreign investment; more than half of total private investment in the region has gone to it. By 1991, approximately 8,000 joint ventures had been established. On the privatization front, approximately 18,000 small companies had been established by late last year, but bureaucratic constraints and public skepticism about the privatization of large enterprises were reflected in slow progress toward the government's goals. Much of the privatization that has occurred took place as "spontaneous" privatization before March 1990, or with the aid of foreign investment. There has also been little movement in privatizing cooperatives.

Hungary, then, has been more successful in certain areas than either Poland or Czechoslovakia, despite the adoption of a more gradual approach to economic change. At the same time, the short-term cost to the population has been significant, and numerous difficulties remain. Optimistic projections for this year were revised downward in July. The economic strategy of Hungary's leaders also continues to be shaped by popular skepticism and political apathy.

A SHORT-TERM ASSESSMENT

The first two years of economic transformation have been marked by a number of successes in each of the eastern European countries. However, their experiences illustrate the price of such reform even in countries that would appear to have better prospects for the re-creation of a market economy than those in the rest of the region. The travails of Poland, Czechoslovakia, and Hungary suggest that the road back to the market will be longer than many reformers originally anticipated. ■

BOOK REVIEWS

On Europe

Summer Meditations
By Vaclav Havel. New York: Knopf, 1992. 151 pp., $20.

Hope is the force that guides former Czechoslovak President Vaclav Havel's book, which is no small achievement given the recent history of and possible nightmares in store for Czechoslovakia. Remaining well aware of the political realities in which he finds himself, Havel nonetheless refuses to give in to despair.

Summer Meditations reads like Havel's personal journal. The short sections run the gamut from personal declarations of belief to descriptions of political decisions made while in office to posing seemingly irresolvable questions about the fate of the country he led to democrary in 1989.

The most compelling aspect of Havel's reflections is their simplicity. Using words like "decency" and "civility" to describe the political culture he hopes Czechoslovakia will adopt, Havel appeals to the fundamental desire of those who believe that a democracy in which citizens can and do participate is the only humane kind. Rather than demanding his countrymen "take back" their government, Havel, who understands that they have never owned it in the first place, encourages them to establish a moral and tolerant civic culture. Only by doing this, he believes, can Czechs and Slovaks re-create the nation in that image. Although addressing the problems specific to his own nation, Havel's suggestions on building a better society contain a fundamentally universal appeal.

Summer Meditations is almost a more subtle version of one of Franklin Delano Roosevelt's fireside chats, not only because of its conversational tone, but also because it offers assurance that things can be better. Even in a particularly long stretch of this short book where Havel defends his conviction that the country should not split apart—though admitting he would understand if it did—the former president comes off as an educated and sympathetic person offering advice to a friend in crisis.

For those politicians and political scientists who have always viewed Havel as an eccentric aberration in the world of realpolitik—those who weigh the relative merits of concepts such as mutually assured destruction, low intensity conflict, kill ratios, and collateral damage—this book will undoubtedly confirm their suspicions. For the rest of us, however, these reflections are a brave and stunningly honest reaffirmation of the positive impact human beings—as whole creatures, not simply as political animals—may have on the world.

Sean Patrick Murphy

The New Democratic Frontier
Edited by Larry Garber and Eric Bjornlund. Washington, D.C.: National Democratic Institute for International Affairs, 1992. 254 pp., $12.95.

The New Democratic Frontier offers an engaging mixture of reports from election observers in seven eastern European countries as well as overviews on the political transformation taking place in the region. Each report is backed by solid descriptions of the circumstances leading up to and surrounding the elections that took place during the spring of 1990. Aside from giving the reader an on-the-ground feeling for how free and fair the elections were, these studies also give a strong sense of the social and political milieu in which they took place.

Several analyses of the general challenges eastern European countries currently face round out the volume. By comparing democratic transitions in Latin America to those in eastern Europe and by discussing the importance of civil institutions in a fledgling democratic nation, the essays also bridge the gap between country-specific studies and area overviews.

S. P. M.

Europe: Road to Unity
By Flora Lewis. New York: Simon and Schuster, 1992. 592 pp., $14.

This is an updated edition of Lewis's *Europe: A Tapestry of Nations*. Like its predecessor, which was published in 1987, it is a sometimes pleasant anecdotal read, a high-altitude flight across Europe's landscape.

For all the changes in Europe since 1987, the updating is very cursory. What was present tense in the old book is now past tense. The analysis of events is not deep, and some of it is already out of date. There is also an arrogance at times. Lewis refers to the Vatican, Andorra, San Marino, Liechtenstein as Europe's "midgets" and deletes them from her coverage. She also does not cover Luxembourg. Another midget?

It is putting the present in context that is missing in *Europe*. Lewis does not quite make some of the connections that may give clues to the future. Austria is a case in point. Six hundred years of Hapsburg "networking" through advantageous marriages still influences the Austrian government. Vienna may never dominate eastern Europe, but it will probably once again be the meeting point, certainly economically, for Prague and Budapest, especially with the splitting of Czechoslovakia.

What is needed, and what this book does not achieve, is a view of the present as a span between the past and a long-term plan for the future

Allin K. Dittmann ■

THE MONTH IN REVIEW

SEPTEMBER 1992

INTERNATIONAL

European Community (EC)
(See also *France; Germany; Italy; UK*)
Sept. 20—French voters approve the Community's Maastricht treaty, with 51% voting in favor of it and 49% against it; the treaty calls for the creation of a single currency and central bank as well as for coordinated foreign and defense policies.

Gulf Cooperation Council
Sept. 11—Iran denounces a statement issued by the 6 members of the council and Syria criticizing it for the de facto annexation of 3 Persian Gulf islands—Abu Musa, Greater Tunb, and Lesser Tunb—that have been jointly ruled by Iran and the United Arab Emirates.

International Court of Justice (World Court)
Sept. 11—After almost 6 years of deliberations on a border dispute between El Salvador and Honduras, the court rules that Honduras will control approximately 112 of the 168 square miles of territory in question; the two countries fought a war over the area in 1969. The court also rules that El Salvador, Honduras, and Nicaragua will have joint control over the Gulf of Fonseca, along which each has coastline.

North Atlantic Treaty Organization (NATO)
Sept. 2—In Brussels, Secretay General Manfred Wörner announces the alliance will place as many as 6,000 troops under UN control to guard relief convoys in Bosnia and Herzegovina.

Organization of American States (OAS)
Sept. 11—At talks between representatives of ousted Haitian President Jean-Bertrand Aristide and the government of the current president, Marc Bazin, negotiators for the latter say international human rights observers will be allowed in Haiti; the talks, the 1st between the 2 sides, began September 1 at OAS headquarters in Washington.

Organization of Petroleum Exporting Countries (OPEC)
Sept. 17—Ecuador announces it is withdrawing from the 13-member cartel; it will be the 1st nation to do so in the group's 32-year history.

Palestine Liberation Organization (PLO)
Sept. 2—Lieutenant Colonel Hani Al Debeiky, a member of chairman Yasir Arafat's Fatah faction, is assassinated in Beirut by unknown gunmen; Debeiky is the 14th Palestinian leader to be killed this year.

United Nations (UN)
(See also *Intl, Yugoslav Crisis; El Salvador; Lebanon*)
Sept. 2—The Security Council issues a statement calling on relief agencies in Iraq to continue supplying food and medicine to those affected by the economic embargo against the country despite the fact that agency workers' residency and work permits have not been renewed; Iraqi President Saddam Hussein has refused to renew agreements with the UN concerning the presence of relief workers.
Sept. 14—Forty armed UN troops arrive in Mogadishu on 2 US aircraft to help protect relief supplies; they are the first of a 500-man Pakistani battalion that will be fully deployed by next week; the UN has authorized an additional 3,000 troops to aid in the relief effort outside the capital. More than 1,000 people are believed to die daily in the country as a result of hunger or disease.
Sept. 22—The UN General Assembly votes 127 to 6 to prevent Yugoslavia from taking the seat held by the former socialist federal republic of the same name and says the new Yugoslavia must reapply for membership.
Sept. 23—In New York, German Foreign Minister Klaus Kinkel says his country would like a permanent seat on the Security Council and that it would alter its constitution to permit German soldiers to participate in UN peacekeeping actions.
Sept. 25—Six hundred of a planned contingent of nearly 2,000 Japanese soldiers arrive in Cambodia to join the UN peacekeeping mission there; 8 cease-fire monitors from the group arrived September 20; this is Japan's 1st deployment of ground troops outside the country since World War II.
Sept. 29—As many as 10,000 people demonstrate outside the UN in support of Jean-Bertrand Aristide, the ousted president of Haiti, as he addresses the body; in his speech, Aristide denounces the Vatican as the only nation in the world to recognize Haiti's military backed government.

Yugoslav Crisis
(See also *Intl, NATO; US*)
Sept. 1—Bosnian forces suffer heavy losses after failing to break through the Serb lines surrounding Sarajevo, the capital of Bosnia and Herzegovina; no official casualty figures are given.
Sept. 3—An Italian transport plane carrying UN relief supplies crashes near the Croat-controlled town of Jasenik, Bosnia; 4 Italian crewmen are reported to have been killed. The UN cancels relief flights into Sarajevo as a result of the downing.
In Geneva, the International Conference on Former Yugoslavia holds its 1st formal meeting; the group, co-chaired by UN envoy Cyrus Vance and EC representative Lord Owen, is charged with conferring on various aspects of the conflicts in the region.
Sept. 6—Serb forces cut off water supplies from Sarajevo's main reservoir to the city.
Sept. 8—Two French UN troops are killed and 5 wounded when their convoy comes under machine-gun fire near the Sarajevo airport; it is not clear who the gunmen are.
Sept. 9—*The New York Times* reports Dusko Kornjaca, leader of the Serb militia that had surrounded Gorazde, has ordered his troops to lay siege to the city again after having withdrawn August 27; Kornjaca says the decision came after an alleged Bosnian militia massacre of approximately 300 Serb civilians on a road leading out of Gorazde immediately after Serb forces withdrew.
Brigadier General Hussein Ali Abdul-Razek, commander of UN peacekeeping forces in Sarajevo, says a Bosnian militia unit is responsible for the September 8 attack on the UN convoy.
Sept. 10—Yugoslavia's foreign minister, Vladislav Jovanovic, resigns, saying Prime Minister Milan Panić's policies are contrary to the interests of Serbia, 1 of the 2 remaining republics that make up Yugoslavia.

Croatian officials say they have impounded a cargo of 4,000 weapons and more than 1 million rounds of ammunition and repatriated approximately 30 Iranians after the September 4 landing of an Iranian 747 jet in Zagreb, the capital of Croatia; the arms were found in boxes marked as relief supplies bound for Bosnia.

Sept. 11—UN envoy Vance announces that Croatia and Yugoslavia have agreed to reopen a road between Zagreb and Belgrade, the Yugoslav capital, that has been closed since last year's war between the 2 nations.

Sept. 12—Some of the Serb forces surrounding Sarajevo comply with today's deadline for allowing UN peacekeepers to monitor their heavy weapons and artillery; there are varying degrees of compliance in Bihac, Gorazde, and Jajce.

Sept. 14—Serb units shell Sarajevo, killing at least 4 people and wounding at least 50, from 11 positions monitored by the UN and 10 that are not; Serb commanders claim they are firing in retaliation for Bosnian attacks.

Sept. 18—*The New York Times* reports that the number of Serb civilians killed as they were leaving the town of Gorazde on August 27 is at least 11 and that as many as 21 were wounded by Muslim militia members.

Sept. 22—In Sarajevo, the head of Bosnia's Investigative Commission for War Crimes, Mirsad Tokaca, says Serb militiamen are responsible for an August 21 massacre near the Bosnian town of Trnopolje of as many as 200 Muslims who had been released from detention camps.

Sept. 26—Bosnian government officials release figures showing 925 civilians were struck by artillery and sniper fire in a 1-week period ending September 19; 129 of them died.

Sept. 27—Bosnian military leaders say they have lost between 300 and 500 soldiers— in attempts to break the siege around Sarajevo.

Sept. 29—American officials say CIA estimates on the number of Bosnians who may die this winter as a result of hunger and exposure run as high as 147,000.

Sept. 30—Croatian President Franjo Tudjman and Yugoslav President Dobrica Cosic announce they have agreed that the Yugoslav army occupying the Prevlaka peninsula will be withdrawn by October 20.

Afghanistan

Sept. 5—Gillian Biddulph, the medical coordinator for the International Committee of the Red Cross, says her organization estimates as many as 2,000 people were killed and 9,000 wounded in the capital of Kabul during last month's fighting; members of the Hezb-i-Islami guerrilla group—one of the 3 groups that make up the coalition government—have been attacking government forces in an effort to remove General Rashid Doestam from the administration; Doestam was an army commander under President Najibullah before he sided with guerrilla forces.

Angola

Sept. 22—State radio reports that troops from the Union for the Total Independence of Angola (UNITA) yesterday captured the airport at Cuito, in the central province of Bié. UNITA officials report their forces in the city earlier captured 11 police officers after what they say was an assassination attempt against Jonas Savimbi, UNITA's leader, who is a candidate for president in elections that will begin September 29.

Sept. 23—State radio reports that 13 people were killed over the past weekend in pre-election violence, including 8 in a clash between UNITA supporters and police in the eastern city of Luena. Last week at least 9 civilians were killed in civil unrest in Cabinda province in the north.

Brazil

Sept. 16—Attorney General Aristides Junqueira delivers a report to the Supreme Court alleging President Fernando Collor de Mello took part in influence-peddling schemes.

Sept. 18—In São Paulo, 750,000 demonstrators call for Collor's impeachment; it is the largest demonstration in Brazilian history.

Sept. 29—The Chamber of Deputies, the lower house of parliament, votes 441 to 38 to impeach Collor, clearing the way for the president's trial by the Senate, which has 180 days to reach a verdict on charges that he was involved in influence-peddling and bribery schemes while in office; Collor announces Vice President Itamar Franco will become acting president as early as tomorrow while Collor stands trial; Collor, who is the country's 1st democratically elected president in 30 years, was expected to serve until January 1, 1995.

Bulgaria

Sept. 4—In a court in Sofia, Todor Zhivkov, the Communist leader of the country from 1962 to 1989, is convicted of embezzling $24 million in state funds and sentenced to 7 years in prison.

Cambodia

(See *Intl, UN*)

China

Sept. 1—Shen Tong, a student leader of the 1989 democracy movement recently returned from exile in the US, is arrested in Beijing hours before he was to hold a press conference on a proposed local chapter of a group calling for democracy in China.

Sept. 10—In Beijing, Iranian President Hashemi Rafsanjani announces that China will equip a nuclear power plant in Iran; the International Atomic Energy Agency will be allowed to inspect the facility.

Commonwealth of Independent States (CIS)

(See also *Cuba; Georgia; Mongolia; US*)

Sept. 3—In Dushanbe, the capital of Tajikistan, government ministers and the presidium of Tajikistan's parliament issue a statement calling on President Rakhmon Nabiyev to resign; Nabiyev is said to be at the headquarters of the CIS army garrison in the capital. Fighting between Nabiyev backers and opponents in the southwestern part of the country is reported to have resulted in several hundred deaths.

Sept. 7—At the airport in Dushanbe, Nabiyev is detained by armed opposition militia and signs a statement resigning his office; he is then allowed to fly to Khodzheni, his native region.

Sept. 9—Four days before Russian President Boris Yeltsin's scheduled departure, the chief Russian cabinet secretary announces that a state visit to Japan and South Korea has been postponed; the postponement is evidently the result of a failure to negotiate a settlement in a dispute over a group of islands in the Kurile chain north of Japan that was seized by the Soviet Union in World War II.

Sept. 20—Azerbaijan demands that all Armenian forces withdraw from Azerbaijan's Armenian-populated enclave of Nagorno-Karabakh by September 22, and declares a unilateral 2-day cease-fire along the main road linking Armenia to the enclave to allow for a withdrawal.

Sept. 21—Azerbaijan's Defense Ministry says a large-scale offensive by Azerbaijani troops against Nagorno-Karabakh that began September 19 has resulted in about 200 casualties on its side and 350 on the Armenian side; Azerbaijani forces

have reportedly captured 15 villages in the southwestern part of the enclave.

Sept. 23—Azerbaijan's Defense Ministry says government troops have captured Martuni, which commands the heights of southeastern Nagorno-Karabakh, killing 200 Armenian soldiers; official sources in Martuni say Azerbaijani forces were repulsed with heavy losses.

Sept. 30—President Leonid Kravchuk of Ukraine informs parliament of the resignation of Prime Minister Vitold Fokin, who had been criticized for his management of the economy.

COMOROS

Sept. 26—A coup attempt is thwarted after forces loyal to President Said Mohammed Djohar arrest a group of soldiers who had taken over the state radio station in Moroni, the capital.

CUBA

Sept. 5—President Fidel Castro announces that Cuba will halt work on a Soviet-designed nuclear power plant because of rising costs.

Sept. 16—Government officials announce that Russia has agreed to withdraw 1,500 soldiers by the middle of next year; the brigade has been deployed in the country since 1962.

DOMINICAN REPUBLIC

Sept. 20—In Santo Domingo, police fire on 300 people demonstrating against the planned government celebration of the 500th anniversary of Christopher Columbus's arrival; Rafael Efraín Ortiz, head of the Dominican Committee on Human Rights, is killed and 2 protesters are wounded.

ECUADOR

(See *Intl, OPEC*)

EL SALVADOR

(See also *Intl, World Court*)

Sept. 21—In a ceremony near the Guazapa volcano, UN military observers receive weapons from approximately 20% of the rebels belonging to the 8,000-member Farabundo Martí National Liberation Front as part of the 2d phase of a 5-part demobilization plan.

FRANCE

(See also *Intl, EC*)

Sept. 23—Proclaiming their joint support for the franc, the French and German central banks sell deutsche marks and purchase francs on the open market to maintain the value of the French currency; in European trading, the franc closes at 3.41 to the deutsche mark; under the European Exchange Rate Mechanism, to which both countries subscribe, the franc must be kept stronger than 3.43: 1.

GEORGIA

Sept. 2—Press reports say that 70 Georgian soldiers and 9 Abkhazians were killed in overnight clashes near Sukhumi, the capital of the secessionist Abkhazian autonomous republic.

Sept. 3—In Moscow, Russian President Boris Yeltsin and Eduard Shevardnadze, head of Georgia's ruling State Council, agree to a Georgian-Russian peacekeeping force for Abkhazia; Vladislav Ardzinba, the Abkhas' leader, agrees to a cease-fire to begin Sept. 5.

GERMANY

(See also *Intl, UN; France; Italy*)

Sept. 5—In a continuing wave of rightist violence that began last month, a refugee hostel is firebombed in the town of Hoyerswerda, near the border with Poland; 1 injury is reported. Police also report attacks against refugee centers in Prenzlau and Lübbenau, both in eastern Germany.

Sept. 14—Under pressure from EC members, the Bundesbank cuts 2 of its interest rates, the 1st cut in 5 years; the discount rate is lowered from 8.75% to 8.25% and the ceiling on short-term rates reduced .25%, to 9.5%.

Sept. 24—In Bucharest, Germany and Romania sign a pact in which Romania agrees to accept back all its citizens in Germany who are there illegally; about 50,000 Romanians in Germany will be affected, most of them Romany people, or Gypsies; Germany will contribute $20 million to fund the deportations and job training in Romania for the returnees.

HAITI

(See *Intl, OAS, UN*)

HONDURAS

(See *Intl, World Court*)

IRAN

(See also *Intl, Gulf Cooperation Council, Yugoslav Crisis; China; US*)

Sept. 9—*The New York Times* reports 2 Iranian jet bombers forced 2 Turkish military planes to land in western Iran last week; the planes and their pilots may still be held in the country. Turkey's interior minister is to meet with Iranian officials on September 11 to discuss skirmishes that have taken place since Turkey's mobilization of 150,000 troops along its border with Iran, as well attacks in Turkey by members of the Kurdistan Workers party who operate from northern Iran.

Sept. 17—Sadegh Sharafkandi, secretary general of the Iranian Democratic party of Kurdistan, an opposition group, is killed along with 3 other Kurds by masked gunmen in a Berlin restaurant.

IRAQ

(See also *Intl, UN*)

Sept. 7—UN officials announce that Iraq has agreed to a plan whereby UN inspectors will be allowed to test water at as many as 40 sites within the country for traces of radioactive material.

Sept. 15—In Shaqlawa, leaders from the Kurdish Democratic party and the Patriotic Union of Kurdistan agree to form a military force of approximately 30,000 troops in the next month; they also say they will encourage smaller parties to add their fighters to the force, which they expect to number 60,000 in 1 year.

Sept. 23—Approximately 70 delegates from 30 opposition groups meet in northern Iraq for the 1st time to discuss developing a united policy against the government of President Saddam Hussein.

ISRAEL

(See *Lebanon*)

ITALY

Sept. 6—Police arrest at his home in northern Italy Giuseppe Madonia, a reputed member of the Cupola, the 5-man commission of bosses that controls the Sicilian Mafia; the group

is suspected of planning the murders this year of the top anti-Mafia investigator in Sicily and of Italy's leading prosecutor of organized crime figures.

Sept. 20—Italy suspends its participation in the European Community's Exchange Rate Mechanism. As part of an agreement reached September 13 with the German central bank, Italy devalued the lira 7 percent against other European currencies.

Japan

(See also *Intl, UN; CIS*)

Sept. 1—The governor of Niigata prefecture, Kiyoshi Kaneko, announces his resignation, saying reports that one of his aides accepted an improper 100-million-yen cash contribution from the Tokyo Sagawa Kyubin trucking company were probably true; Shin Kanemaru, the vice president of the ruling Liberal Democratic party, resigned last month after acknowledging his office received a large unreported contribution from the company, which has links to organized crime.

Korea, North

(See *Korea, South*)

Korea, South

Sept. 7—In Seoul, the intelligence agency announces it has arrested 4 dissidents involved in an espionage ring seeking to "communize the Korean peninsula"; it says the ring was led by Kim Nak Chung, a prominent dissident who it says worked undercover in the South for 37 years and had received $2.1 million in funds from North Korean leader Kim Il Sung.

Lebanon

Sept. 4—General Antione Lahd, commander of the Israeli-backed South Lebanon Army, announces his Christian militia has blocked all roads to the Israeli-controlled security zone until September 7, a day after the last of 3 rounds of parliamentary elections are to be held; this measure is to ensure that the 70,000 residents of the zone are not able to vote in their designated voting area north of the zone which is patrolled by UN peacekeeping forces.

Sept. 8—Initial results from the last round of parliamentary elections show the Muslim parties Amal and the Party of God have won 22 of 23 contested seats; one independent candidate also won; Amal is expected to control 18 seats, which will make it the largest bloc in the 128-member parliament, followed by the Party of God, with 12 seats. Although Christian candidates are guaranteed half the seats, only 59 have been elected, either as independent candidates or on Muslim party tickets as a result of the Christian boycott.

Sept. 22—An Israeli army spokesman says Israeli soldiers killed 3 guerrillas belonging to the Party of God in an exchange in the Israeli security zone; 1 Israeli soldier was wounded in the firefight, after which the Israeli army shelled 3 villages believed to be Party of God strongholds.

Sept. 29—UN spokesman Timor Goskel announces 1 Irish soldier was killed and another wounded when members of the Iranian-backed Islamic Resistance Movement fired a rocket-propelled grenade at the peacekeepers' checkpoint east of the port city of Tyre; in skirmishes between the Israeli-backed South Lebanon Army and rebels in southern Lebanon, 8 people die and 11 are wounded.

Liberia

Sept. 28—Information Minister Lamini Waritay says witnesses who fled to Monrovia from the nearby town of Klay have reported that rebel fighters massacred at least 300 people there in a factional conflict; spokesmen for the United Liberation Movement for Democracy for Liberia (ULIMO), the rebel group based in Sierra Leone, and a rival organization led by Charles Taylor deny the reports.

Mexico

Sept. 21—The government and the Vatican announce they have established full diplomatic ties; in July, Congress adopted changes to the constitution requested by President Carlos Salinas de Gortari allowing churches legal status, the right to own property, and to teach religion.

Mongolia

Sept. 26—The China-based New China News Agency reports that the last of what had been 67,000 troops from the former Soviet Union have been withdrawn from Mongolia.

Myanmar

Sept. 26—State radio announces the ruling military junta today issued a decree ending martial law throughout the country that was imposed in September 1988; it also says civilians will no longer be tried in military courts.

Nicaragua

(See also *Intl, World Court*)

Sept. 5—President Violeta Barrios de Chamorro relieves René Vivas as director-general of police as well as 11 of his aides and swears in Fernando Caldera Azmitia as his replacement; the move comes days after John Maisto, a deputy assistant secretary in the US State Department, met with government officials here concerning US fears of Sandinista influence in Chamorro's government; both Caldera and Vivas were part of the former Sandinista-led government.

Peru

Sept. 5—Near Lima, 7 people are killed and 13 seriously injured after police set off a bomb in a van left by Shining Path rebels at a gasoline station they had just robbed.

Sept. 12—In Lima, police capture Abimael Guzmán Reynoso, founder and leader of the Shining Path; Guzmán had been in hiding for over a decade.

Sept. 14—Shining Path guerrillas kill a police officer in Lima and detonate a bomb on the Pan American highway north of the capital, wounding 8 people.

President Alberto Fujimori announces Guzmán will be tried by a military tribunal on charges of treason.

Police say that, along with Guzmán, they captured 21 Shining Path members or collaborators, including the guerrilla group's 2d-in-command. The police also say that, in the last few months, they have either killed or captured over a dozen of the group's 19 central committee members.

Sept 15—Shining Path rebels set off a bomb in Cuzco, killing 2 people and wounding 2.

Romania

(See *Germany*)

Saudi Arabia

(See *US*)

SOMALIA
(See *Intl, UN; US*)

SOUTH AFRICA
Sept. 7—At least 24 supporters of the African National Congress (ANC) are killed by machine-gun fire from Ciskei army troops as they march with about 50,000 other protesters into the black homeland, demanding that the Ciskei's military ruler, Brigadier Oupa Gqozo, step down.

Sept. 25—*The New York Times* reports that the government and the ANC have agreed to hold a meeting tomorrow between Prime Minister F.W. de Klerk and ANC president Nelson Mandela; formal talks on transition to a nonracial democracy broke off in May. Government concessions to ANC demands include the phased release of more than 500 prisoners convicted of serious crimes deemed to be politically motivated; the banning of so-called Zulu "cultural weapons"; and increased security around migrant-worker hostels, which have been centers of black factional violence.

Sept. 27—Chief Mangosuthu Gatsha Buthelezi, the leader of the Zulu-based Inkatha Freedom party, severs relations with the government, which Inkatha has generally supported, and says neither his party nor the KwaZulu homeland will participate in proposed elections or an interim government.

SUDAN
Sept. 30—The UN suspends relief efforts in the south after 1 relief worker and a Norwegian journalist are killed and 2 other workers are reported missing after attacks by a southern guerrilla group.

TAIWAN
(See *US*)

THAILAND
Sept. 23—Chuan Leekpai, the leader of the Democrat party, accepts the post of prime minister as leader of a coalition government that includes 1 pro-military party; in parliamentary elections held September 13, 51% of the vote went to 4 parties calling for an end to military influence in the government, including the Democrats and Palang Dharma (Power of Virtue), which is headed by pro-democracy leader Chamlong Srimuang; inclusion of the pro-military Social Action party gives the coalition a solid majority in parliament.

TURKEY
(See also *Iran*)

Sept. 30—Government officials say the death toll from a recent battle between soldiers and members of the Kurdish Workers party outside the village of Semdinli near the Iraqi border stands at 174 rebels, 29 troops, 5 civilians, and 3 village guards; it is the highest number of casualties in a single confrontation since the separatist Kurds began their campaign in 1984.

UGANDA
Sept. 9—In Washington, D.C., 5 people, including a senior aide to Ugandan President Yoweri Museveni, are indicted on charges that they illegally attempted to export to Uganda $18.8-million worth of TOW antitank missiles and launchers purchased in a Customs Department sting operation; 2 of the men were also indicted on charges that they tried to ship $15 million in Chinook helicopter parts to Libya. The Ugandan ambassador to the US, Stephen Katenta-Apuli, was detained last month on evidence that he was part of the group but was released when he invoked diplomatic immunity.

UNITED ARAB EMIRATES
(See *Intl, Gulf Cooperation Council*)

UNITED KINGDOM (UK)

Great Britain

Sept. 16—After a day of intense speculation in European currency markets and failed attempts to boost the pound to keep its value relative to other currencies within the guidelines of the European Monetary System, Britain suspends its participation in the system, effectively devaluing the pound.

Sept. 24—Following a specially convened debate on the government's economic and European policies, Prime Minister John Major wins a vote of confidence in the House of Commons, 330 to 288.

UNITED STATES (US)
(See also *Nicaragua; Uganda*)

Sept. 2—In Fort Worth, Texas, President George Bush announces he has approved the sale of as many as 150 F-16 fighter planes to Taiwan, reversing almost 10 years of American policy on arms sales to the island.

In campaign speeches in South Dakota and Texas, Bush says the government will offer wheat farmers $1-billion worth of subsidies for overseas sales; he also says he will give $755 million more in aid to those farmers whose crops were destroyed by Hurricane Andrew last month.

Sept. 11—In St. Louis, Missouri, Bush announces he has approved the sale to Saudi Arabia of 72 F-15 military jets worth approximately $9 billion.

Sept. 14—Bush offers Russia $900 million in loan guarantees and $250 million in food assistance for the next 6 months.

Sept. 16—Lieutenant Bruce Cole, spokesman for the US Naval Forces Central Command in the Persian Gulf, announces 2,400 marines are on their way to the waters off Somalia; Cole says the troops will be used for command and control of US airlift operations to the country.

Sept. 20—Bush administration officials say they have lodged a protest with the Indian government about its attempted shipment to Syria of trimethyl phosphite, which can be used in making chemical weapons; the material, bound for Syria aboard a German vessel in August, was ordered sent back by German authorities once its nature was determined.

Sept. 24—*The New York Times* reports Department of Defense officials have expressed concern that Russia is honoring a contract between Iran and the Soviet Union on the sale to Iran of up to 3 diesel submarines worth $250 million each; currently, no Persian Gulf country possesses submarines. The officials also say Russia has sold 24 SU 24 bombers to Iran, is providing spare parts for Iraqi planes kept in Iran since the Persian Gulf war, and has agreed to sell Iran 2 nuclear reactors.

Sept. 26—According to *The New York Times*, US officials have received "reliable information" that as many as 3,000 Muslims were killed during May and June in Serb-controlled detention centers near the town of Brcko in Bosnia and Herzegovina; earlier in the week, Acting Secretary of State Lawrence Eagleburger announced the US supports the creation of a UN war crimes commission to investigate such allegations.

VATICAN
(See *Intl, UN; Mexico*) ■


EUROPE
National capitals
Other cities
0 100 200 300 Miles
ARCTIC OCEAN
Greenland Sea
Arctic Circle
ICELAND
Reykjavik
Norwegian Sea
Faroe Is. (Den.)
Shetland Is. (Br.)
Orkney Is. (Br.)
Hebrides
ATLANTIC OCEAN
North Sea
NORWAY
Oslo
SWEDEN
Stockholm
FINLAND
Helsinki
Gulf of Bothnia
Åland Is.
Gulf of Finland
St. Petersburg
Tallinn
ESTONIA
RUSSIA
Gulf of Riga
Riga
LATVIA
Moscow
Gotland
Öland
Baltic Sea
DENMARK
Copenhagen
Bornholm (Den)
LITHUANIA
Vilnius
RUSSIA
Minsk
BELARUS
UNITED KINGDOM
Dublin
Isle of Man
IRELAND
London
NETHERLANDS
Amsterdam
BELGIUM
Brussels
English Channel
Berlin
Elbe R.
GERMANY
Warsaw
Vistula
POLAND
Oder R.
Kiev
UKRAINE
Prague
CZECHOSLOVAKIA
LUX.
Paris
Seine R.
Loire R.
FRANCE
Saône R.
Rhine R.
Danube R.
Dniester R.
MOLDOVA
Chisinau
Bratislava
Vienna
Budapest
AUSTRIA
HUNGARY
SWITZ.
Bern
LIECH.
SLOVENIA
Ljubljana
Zagreb
CROATIA
ROMANIA
Bucharest
Black Sea
BOSNIA AND HERZEGOVINA
Belgrade
Sarajevo
Danube R.
Rhône R.
Po R.
SAN MARINO
MONACO
Adriatic Sea
YUGOSLAVIA
BULGARIA
Sofia
Skopje
MACEDONIA
Istanbul
ITALY
Rome
VATICAN CITY
Tirana
ALBANIA
GREECE
TURKEY
Aegean Sea
Athens
Crete
PORTUGAL
Lisbon
Madrid
Tajo R.
SPAIN
ANDORRA
Corsica
Sardinia
Balearic Is.
Tyrrhenian Sea
Ionian Sea
Mediterranean Sea
Sicily
Gibraltar (U.K.)
Strait of Gibraltar
MALTA
Valletta
20°
10°
0°
30°
40°
60°
50°
© Current History, Inc.

Coming in December in Current History: East Asia

The focus of December's issue swings in the direction of East Asia, where the absence of the cold war has opened new avenues of thinking on security matters for the United States as well as the other principal players in the region. What new constellations of power will emerge? Articles examine the prospects for stability and democracy in Thailand, Cambodia, and the Philippines and their search for a role in one of the most powerful economic regions in the world. *Topics scheduled to be covered include:*

- Post-Cold War US Policy in East Asia
  by Don Hellman, University of Washington
- Japan as a Regional Power
  by Takashi Inoguchi, University of Tokyo
- Peace in Unity in the Koreas?
  by Hong Kim, West Virginia University
- Cambodia
  by Craig Etcheson, Strategic Implementation International
- Thailand
  by Joseph Wright, Author of *The Balancing Act: A History of Modern Thailand*
- The Philippines
  by David Wurfel, University of Windsor